



How to get Credit and Reference Checks and Why You Need Them

Why is a credit check important?

When deciding whether to rent to a prospective tenant, landlords want to be sure that you can afford the rent and will pay on time and one way to do this is through a credit check.

Can a landlord do a credit check on me?

Credit bureaus keep track of when you borrow money and pay it back, and they have current and past information on where you live and work. The information they have is given to them by creditors such as banks and credit card companies. There are two credit bureaus in Canada: Equifax Canada and Trans Union Canada.

What is a credit rating and what does it mean?

You've likely heard people talk about a credit rating, which is a numerical score that creditors use to assess your credit worthiness. Credit ratings are calculated each time someone, such as a lender or a potential landlord, requests it. The information in your credit file is used to determine your credit rating. You get points for each time you use credit responsibly and your credit rating is the total of these points. Different credit bureaus have different types of scoring systems.

What if I've never had a loan or credit card?

If you have never had a loan or a credit card, prospective landlords will have little or no information to review in your credit file. Although an empty file is not as bad as a poor credit file, it doesn't give the landlord any idea of whether you will be able to pay your rent and pay it on time. That's why establishing a good credit file is crucial.

If you are a first-time renter, have had credit problems or do not have a credit rating, you may need a guarantor, such as a parent or close friend, who is willing assume the risk if you fail to pay the rent. Your guarantor will need to demonstrate that she or he has an adequate credit rating and the ability to assume your rental costs should you not be able to pay and default.





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Do I need to disclose my credit history to a potential landlord?

You don't have to disclose your full credit history if asked by a potential landlord to do so. You have the option of stating that you have outstanding bills, but that you have always paid your rent and can provide references that confirm your rental payment history. The potential landlord, however, may be apprehensive and may decide not to rent to you if she or he has no way of confirming your full credit history.

How do I build a good credit rating?

Be sure to make loan and bill payments and minimum credit card payments on time. These timely payments will be reflected in your credit file and will show that you can use credit responsibly. As a result, your credit rating will be favorable each time it's calculated. Consistently missing payments, or making late payments, will lower your rating.

Your credit rating will change over time, based on how you use your money and credit. It may take months or years of demonstrating good credit to fix damage caused by poor credit repayment in the past.

How long is negative credit information kept on file?

Each credit agency sets its own timelines for removing information from a file, guided by provincial legislation. In general, both positive and negative information remains on file for six years. Information on the date that you received the credit also remains in your file. In other words, if you have had a credit card for twenty years, only the last six years of your payment history – good and bad – will remain on file. However, since the account's activation date is included in your file, anyone looking at it will be able to see that you have had the credit card account for twenty years.

Negative information, such as court judgements or late debt payments, is typically removed six or seven years after the filing date. A bankruptcy typically remains on a credit file for six years from the date of discharge (unless there has been more than one), but there is some variance depending on the province or territory in question.





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How often should I check my credit file?

Make sure you verify the information in your credit file so you are aware of any potential credit problems and can get errors corrected before you agree to share its contents with anybody. It's a good idea to check your file from time to time because errors and omissions on credit reports do occur. If you find an error or discover that good credit information is missing from your file, contact all credit bureaus to have it corrected so that your credit history is accurate when creditors and lenders request it. Be ready to provide statements or receipts as proof. Each bureau sends its policy for reporting an error with the copy of your credit file. Each policy is different, so be sure to review it once you have collected your proof of payment.

A credit bureau will only correct false information in your file, so if you missed a payment by accident, it will be reported as missed on your file and cannot be changed. In this situation, you have the right to have a comment included with your file explaining why you missed the payment. This comment may or may not be considered the next time someone requests your credit file and generates a score.

How do I order a free copy of my credit report?

Equifax (www.consumer.equifax.ca)

By Phone: 1-800-465-7166

By Mail: Equifax Canada Co.
Box 190 Jean Talon Station

Online: www.equifax.com (fees apply)

Trans Union Canada <https://www.transunion.ca/product/credit-report>

phone: 1-800-663-9980

By Mail:

TransUnion

Attention: Consumer Relations





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P.O. Box 338, LCD1
Hamilton, ON L8L 7W2

Online: Go to www.transunion.ca/ca/personal/creditreport/creditprofile_en page.

References and Other Checks

Beyond the basic credit report, a landlord can determine your suitability as a tenant in other ways. Some landlords will check your references and your rental history, while others only do a “soft” credit check to ensure you do not owe money to another landlord. After checking your financial suitability, landlords will want to know what kind of tenant you are. Most often, they will ask former landlords about your character as well as your past rent payment patterns. While some people will check only with your last landlord, others will also check with your past two or three landlords.

In some provinces, rent registries and landlord advocacy groups compile information about delinquent tenants. This information is easily accessible to landlords. Information about past illegal activities may also show up during a landlord's check.

What do I do if I have poor credit and housing history?

Life happens and many landlords understand that. If you feel comfortable doing so, share your situation with the potential landlord, giving a brief explanation of why your credit is poor (e.g. relationship breakdown), but assure him or her that you will pay the rent. Be careful to not disclose too much personal information.

Although you may encounter some challenges if you try to rent when you have a history of eviction and/or unpaid debt, it is still possible to secure housing - you just need to be flexible, creative, and open to making change:

- Consider sharing accommodation with someone who has already arranged for the lease in his or her name or renting a unit in an older building that has fewer applicants, or find a co-signer who has a good credit history and adequate income.





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- Some smaller property management companies or private landlords may be less likely to do a credit or reference check. Try renting directly from a property owner versus a property manager or real estate agent - they may be less likely to have a firm credit check requirement.
- Be willing to accept a lesser place than you might otherwise. Think of it as temporary, as after you establish a track record of paying your rent on time, your landlord should give you a good reference when you move on.
- If you're working with a financial trustee, try to assure the landlord that rent will be paid directly by your trustee worker. The key is to be clear on how you will fulfill your obligations as a tenant and to be open to different renting options.
- Don't give up! It's not unusual for anyone to have to apply for several rental units before getting approved.

