

# Building and maintaining your credit score in Canada: A Guide from Servus Credit Union



## Welcome to Canada and Servus Credit Union!

We're thrilled to have you here. This information sheet will guide you through the process of building and maintaining your credit score, and provide you with tips to effectively manage your credit.

Building a credit score in Canada takes time. As you borrow and repay money, your "credit score" is generated to inform lenders of your credit worthiness. Your score updates monthly based on new information and is essential for applying for loans, mortgages, cell phones, utilities, rent, and more.

So, where do you start? Many new immigrants in Canada begin building their credit score by obtaining a credit card, such as a Mastercard®. Servus Credit Union offers Mastercards to our members. Once approved, your card will arrive in the mail in a few weeks with a limit, for example, \$1,000. You can then use it for purchases like gas, groceries, phone bills, travel, and more, up to your limit. The credit card acts as a reusable loan from the bank.

Here's an example of how the billing cycle works for a member's credit card:

**DAY 1:** Your card is activated and can be used for purchases, starting a 30-day billing cycle.

**DAY 30:** The billing cycle ends, and the Credit Union will send you the bill for all purchases made during the cycle. You have 21 days to pay the bill before being charged interest. Day 30 also marks the start of the next billing cycle.

**DAY 51:** The full bill for the first billing cycle is due. You can pay it before this date or set up automatic payments with the help of your Financial Advisor.

This billing cycle repeats every month as long as you have your Mastercard. Before long, you'll know when your bill is due each month.

Paying your Mastercard bill on time and in full will help you build your credit score and eliminate interest costs. Partial payments against the statement balance result in some interest still being charged. If you don't make at least the minimum payment by the due date this will negatively affect your credit score. Your Mastercard agreement will include all interest rate information, which will arrive with your card.

Here are some tips to help you build and maintain your credit score:

- 1. Pay all bills on time and in full.** This will eliminate interest costs and improve your credit score. Remember, the Mastercard funds are borrowed, so always make sure you have enough funds in your bank account to cover the balance.
- 2. Always pay at least the minimum payment.** If you can't make the full payment, make sure to pay the minimum amount displayed on your monthly bill.
- 3. Don't apply for too much credit at once.** Multiple applications in a short period can hurt your credit score. Most people only need one credit card, especially when they're new to Canada.
- 4. Start a regular savings plan.** Talk to your Financial Advisor about saving for future purchases, emergencies, and other important life events.
- 5. Check your credit once per year.** Your Financial Advisor can help you order a copy of your credit score and report to ensure that no one else has tried to use your identity. If you experience any trouble, the best course of action is to contact your Financial Advisor. The earlier you reach out to us at Servus, the more we can help.

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