BUREAUS AND THEIR WORKING

What is a credit bureau?

A credit bureau collects and researches individual credit information and sells it for a fee to the creditors. CBs provides a wide range of credit scoring methods, higher score allows lower interest on loans. There are mainly 3 credit bureaus namely – 1) Equifax 2) Experian 3) TransUnion

Clients for CBs – Banks, credit card companies, mortgage lenders, financing companies etc.

What is a CIBIL Score?

It’s a 3 digit numeric summary of your credit history. The score is derived using the credit history found in Credit Information Report (CIR) of an individual. CIR contains an individual’s credit payment history across loan types and credit institutions over a period of time. It also contains personal information, contact details, account details of the individual.

A good CIBIL score is anything above 750. Individuals having CIBIL score more than 750, banks/institutions generally refers as LOW RISK customers to fund.

Factors affecting CIBIL Report

CIBIL score revolves around loan and credit card repayment behavior of an individual. Major factors being –

1. Credit History (Weightage – 30%) - Credit history is basically how timely you pay your bills.
2. Credit Utilization (Weightage – 25%) – It is the ratio of current outstanding loan to the available credit limit. For a good CIBIL score it is advised to keep your credit card utilization at 30% or less.
3. Credit Mix (Weightage – 25%) – Restrict your unsecured loans in total loans portfolios to less than 30% for a good CIBIL score.
4. Others (Weightage – 20%) – Other factors includes loans rejection from multiple banks, search inquiries (if you apply to many banks, all those will be reported to the credit bureaus and you will have many inquiries on your credit report, which affects your score negatively).