

Exploring the Impact of CIBIL Scores on Your Financial Journey



Presentation
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WHAT IS CIBIL ?

India's first Credit Information Bureau (India) Limited, incorporated in the year 2000.

It is a repository of factual information on the credit history and repayment records of commercial and consumer borrowers.

The legislation has enabled banks to submit data to CIBIL without obtaining borrower's consent.

CIBIL Score is a 3 digit numeric summary of your credit history, derived by using details found in the 'Accounts' and 'Enquiries' sections on your CIBIL Report and ranges from 300 to 900.



HOW DOES CIBIL OPERATES ?

Collects, Collates and Disseminates credit information of borrower from its Members (Who are actually credit grantors).

Allows the credit grantors to have access to its database to search and gain a complete picture of the payment history of a credit applicant.

CIBIL collects commercial and consumer credit- related data and collates such data to create and distribute credit reports to Members.

CIBIL does not grant or deny credit.



CIBIL COMPANIES

Following are the 4 famous CIBIL companies operating in INDIA

TransUnion^{tu} CIBIL

EQUIFAX

 experian™

 **CIBIL** HIGH
MARK

CIBIL SCORE

CIBIL Score is the 3 digit Number representing the probability that a consumer will default on a credit facility over next 12 months.

Each member (i.e Financial Institutions) has its own benchmark of the number that constitutes a 'good' score.

SCORE 0-549

POOR

SCORE OF 550-700

AVERAGE

SCORE OF 700 & ABOVE

GOOD



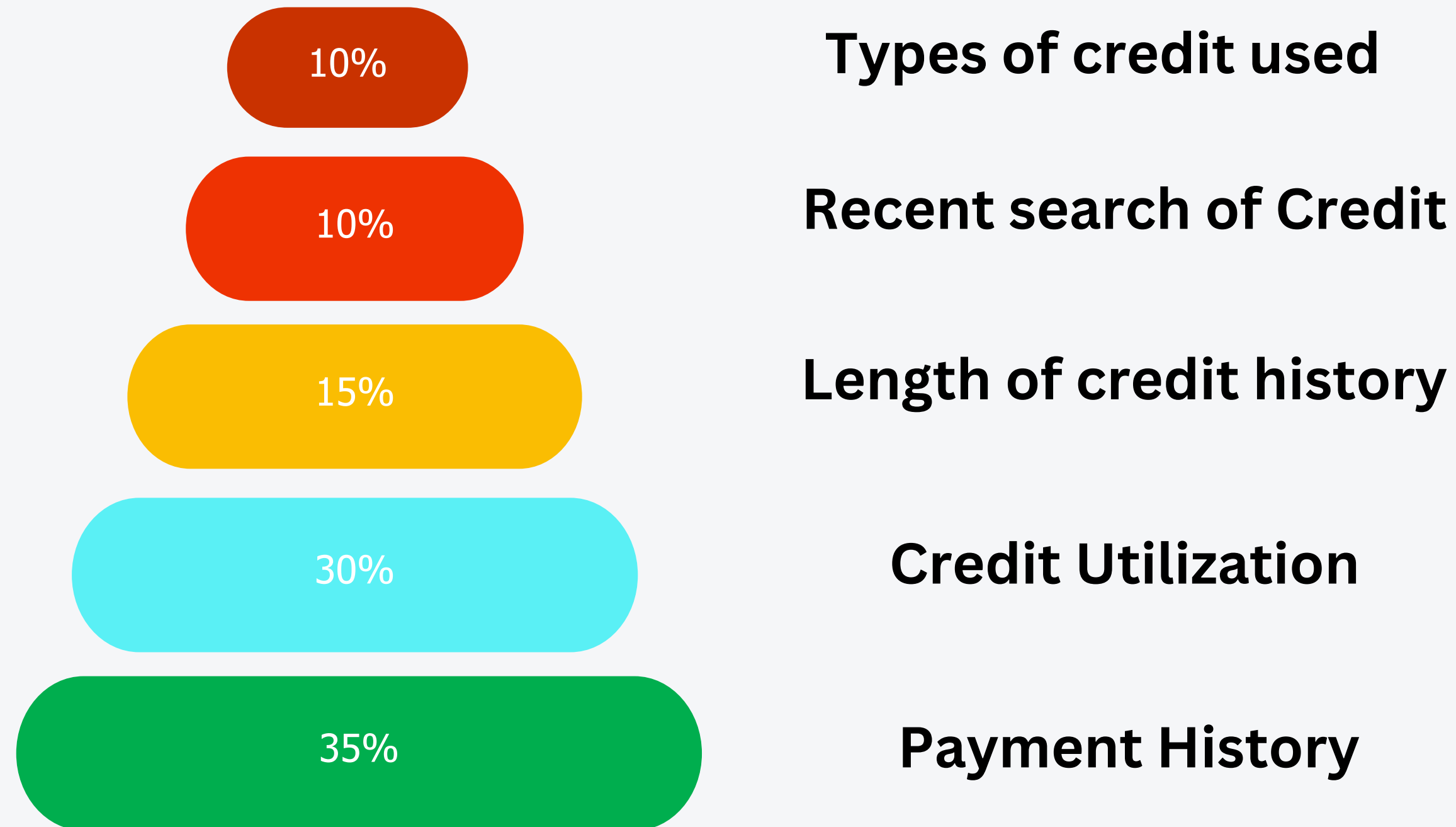
The score will be -1 if there is no inquiry and account information is not available. Some credit institutions prevents them from providing loans to an applicant with scores of -1.

TYPE OF INFORMATION IN THE CIBIL REPORT

THE CIR Includes the following information :

- Name / DOB / Gender / KYC / Address
- Legal Constitution- In case of Non Individual
- Identification Number
- Records of all the credit facilities availed by the borrower.
- Past Payment history.
- Amount Overdue.
- Number of enquiries made on that borrower, by different members.
- Suit Filed Status

WHAT IMPACTS YOUR CIBIL SCORE?



WHAT IMPACTS YOUR CIBIL SCORE?

Payment History (35% Weightage):

Your payment history influences the CIBIL Score. A bounce in EMI, default and bankruptcies give a negative score.

Credit Utilisation Ratio (30% Weightage):

Maintaining a low credit utilisation ratio is a sign of good credit management.

Length of Credit History (15% Weightage):

It refers to how long you've been using credit.

Types of Credit (10% Weightage):

Types of credit like instalment loan or revolving loan are also considered

Recent Credit Inquiries (10% Weightage):

Each time you apply for new credit, it will record and drop your score.

HOW TO IMPROVE CIBIL SCORE?

1. Check Your CIBIL Report :

Review your credit report at regular intervals to make sure that report is showing accurate information.



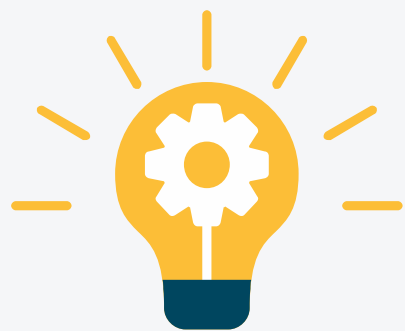
HOW TO IMPROVE CIBIL SCORE?

2. Do not Default on Payment :

Keep track of all your monthly payments and ensure that they are paid on time.

SMA 0	0-30 Days	Loan is not repaid upto 30 Days
SMA 1	30-60 Days	Loan is not repaid upto 60 Days
SMA 2	60-90 Days	Loan is not repaid upto 90 Days

If Loan remain unpaid for more than 90 Days, it will be classified as NPA



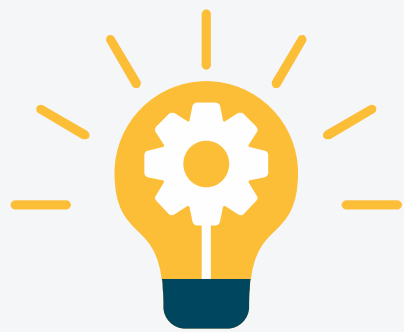
Solution

SET REMINDERS OR STANDING INSTRUCTIONS TO REPAY LOAN EMIS ON TIME

HOW TO IMPROVE CIBIL SCORE?

3. CREDIT UTILIZATION :

Limit your monthly credit card bill to no more than 30% to 50% of your limit. Using more than 50% of your card limit causes your credit utilization ratio to shoot up which in turn brings down your credit scores. Also maxing out your credit card means you will have trouble with budget management and it becomes difficult to repay your credit card bill in full and on time.



Solution

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- **INCREASE YOUR CREDIT CARD LIMIT**
- **TAKE ANOTHER CREDIT CARD**

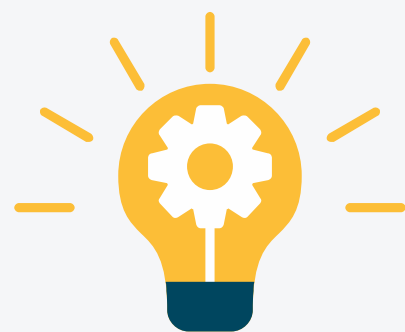
HOW TO IMPROVE CIBIL SCORE?

4. Application for Random Loans/ Credit Cards :

Multiple hard enquiries in a short span of time show your hunger for credit. Lenders might consider such applicants to be in financial difficulties and thus have relatively higher risks of credit default.

Credit bureaus thus lower the credit score of applicants who have conducted multiple hard enquiries in the recent past.

Multiple applications shows 'Eager for Credit'



Solution

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- **AVOID MAKING MULTIPLE LOAN APPLICATIONS AT ONE TIME**
- **CHECK YOUR CIBIL SCORE BEFORE APPLYING FOR LOAN**

HOW TO IMPROVE CIBIL SCORE?

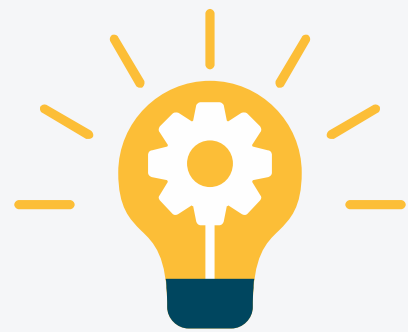
SOFT INQUIRY	HARD ENQUIRY
Credit Score will not be affected	Credit Score will be affected
May not be Displayed on Credit Report	May be displayed on Credit Report
Consent not required	Consent is required
Will be done in case of pre-approved loans or to check the credit score	Will be done when you apply for a loan or credit card

HOW TO IMPROVE CIBIL SCORE?

5. Monitor your Co-signed, Guaranteed or Joint Loan Accounts Regularly :

If a loan applicant does not meet some of the loan eligibility, the lender may ask the borrower to get it co-signed or guaranteed by a co-applicant who has better creditworthiness.

In case of non-payment of EMIs on time, the credit score of the co-signor/guarantor also takes a hit along with that of the borrower.



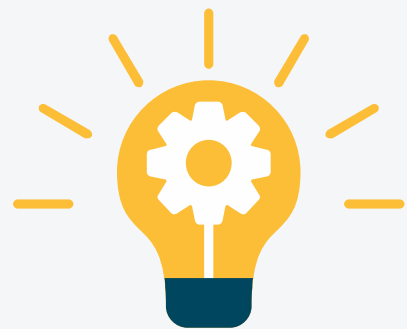
Solution
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- **REVIEW YOUR CREDIT REPORT AT REGULAR INTERVAL TO CONFIRM WHETHER THE REPAYMENT OF LOAN BY BORROWER IS REGULAR.**
- **GET THE BORROWER TO PAY BACK**
- **RE- FINANCE OR TAKEOVER OF LOAN**
- **A SUBSTITUTE GUARANTOR FOR THE LOAN**

HOW TO IMPROVE CIBIL SCORE?

6. Check for Errors in your CIBIL Report:

There can be various unknown errors due to which your credit score can be hit. These errors may include incorrect personal information, wrong account details, mismatched overdue or paid-off amounts, duplicate accounts, incorrect Days Past Due or collateral details, etc.



Solution

:

- **RESOLVE THESE ERRORS BY RAISING A GRIEVANCE WITH CIBIL ONLINE. ONCE SUCH ERRORS ARE RECTIFIED, YOUR CREDIT SCORE MAY INCREASE SIGNIFICANTLY.**
- **SEND EMAIL TO CIBIL CO. AND BANKS FOR RECTIFICATION**
- **OBTAIN NOC FROM FINANCIAL INSTITUTIONS AFTER CLOSURE OF LOANS.**

HOW TO IMPROVE CIBIL SCORE?

7. Credit Utilization Ratio should be on lower side.

8. A balances mix of secured and unsecured credit can have a favorable impact on your credit score.

9. Length of Credit History

The length of credit history or credit age is another important factor that affects your credit score. Having a long credit history with good borrowing and clean repayment track record usually indicates responsible credit management and a history of financial stability which has a favourable impact on your credit score.

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HOW TO CLEAR WRITTEN OFF STATUS FROM YOUR CIBIL Report?

- 01 **Assess Your CIBIL Report**
- 02 **Reach Out to Your Lender**
- 03 **Pay Outstanding Dues**
- 04 **Obtain a No-Due Certificate**
- 05 **Raise a Complaint to CIBIL**
- 06 **Keep Track of Your Complaint**



COMMERCIAL CIBIL REPORT

IT IS ALSO KNOWN AS COMPANY CREDIT INFORMATION REPORT

IT MEASURES COMPANY'S CREDITWORTHINESS

IT RANGES FROM **CMR 1 TO 10**

COMPANIES WITH A CURRENT CREDIT EXPOSURE OF UPTO RS 50 CRORES

THE CIBIL COMMERCIAL REPORT PROVIDES YOU WITH COMPREHENSIVE AND MULTI-DIMENSIONAL CREDIT FILE INFORMATION ON POTENTIAL COMMERCIAL BORROWERS SO YOU CAN MAKE MORE INFORMED LENDING DECISIONS. THESE BORROWERS INCLUDE, AMONG OTHERS, PUBLIC LIMITED COMPANIES, PRIVATE LIMITED COMPANIES, PARTNERSHIP FIRMS AND PROPRIETORSHIPS.

COMMERCIAL CIBIL REPORT

PARAMETERS OF COMMERCIAL CIBIL REPORT

- 1.CIBIL TRACK
- 2.ENQUIRY SUMMARY
- 3.OUTSTANDING BALANCE DETAILS
- 4.LOCATION DETAILS
- 5.RELARED PARTIES DETAILS
- 6.CREDIT FACILITIES DETAILS
- 7.SUIT FILED DETAILS
- 8.CREDIT RATING SUMMARY:IT CONTAINS LALEST THREE CREDIT RATING INFORMATION ASSIGNED TO THE COMPANY BY AN EXTERNAL ACCREDITED RATING AGENCY
- 9.ENQUIRY DETAILS(LAST 24 MONTHS)

COMMON MYTHS ABOUT CREDIT SCORE

MYTH 1: REGULAR CHECK OF CREDIT SCORE LOWERS IT

This is the most common error in understanding the credit score. When you pull your credit score from credit bureau, it is counted as a soft enquiry and this does NOT lower your credit score. In fact, the more updated you are on your credit score, the higher are your chances of getting loan

MYTH 2: MONTHLY INCOME AFFECTS CREDIT SCORE

Credit score is calculated basis the information mentioned in your credit report and your income is NOT mentioned anywhere in your credit report. Therefore, you could be having a CTC of Rs. 15 lakh and still have a poor credit score if your credit behaviour is not good. Likewise, a person with a fairly lower income may have a high credit score, if their credit history is healthy, i.e. timely payment of bills and balanced credit utilization, among other factors.

COMMON MYTHS ABOUT CREDIT SCORE

MYTH 3: CREDIT SCORE IS THE SOLE DETERMINANT IN SECURING LOAN OR CREDIT CARD

Yes, credit score plays a vital role in getting favourable loan options and good credit cards but it's not the only factor here. There are other factors like your age, payment history, repayment capability, job type and nature, credit mix, etc. Your credit score could be good but it won't be the only deciding factor for banks in loan sanctioning.

MYTH 4: CLOSING OLD ACCOUNTS CAN HELP IMPROVE CREDIT SCORE

Many people believe that having more than two credit cards will pull down their credit score. And thus, they tend to close their older credit accounts by giving up their credit cards which are no longer in use. This can inadvertently go wrong, as closing an old credit account will shorten your credit history. A long credit history helps the lender understand your credit behaviour better. However, if you feel that you can lose your credit card or will not be able to use it judiciously, then consider closing that credit card after thorough analysis.

COMMON MYTHS ABOUT CREDIT SCORE

MYTH 5: DEBIT CARDS CAN HELP BUILD A CREDIT SCORE

Purchasing anything via debit cards is just like paying in cash. You are not borrowing from a lender but only using the money that's already in your bank account. This does not impact your credit score in any way.

MYTH 6: DRAWING POWER CALCULATION AFFECTS CREDIT RANK

BENEFITS OF GOOD CREDIT SCORE

- ✓ **HIGHER CHANCES OF LOAN APPROVAL**
- ✓ **LOWER INTEREST RATES**
- ✓ **INCREASED ACCESS TO PRE-APPROVED LOANS**
- ✓ **EASIER ACCESS TO PREMIUM CREDIT CARDS**
- ✓ **APPROVAL FOR HIGHER LOAN AMOUNT/CREDIT CARD LIMIT**
- ✓ **POSSIBILITY OF APPROVAL FOR LONGER TENURE LOANS**

THANK YOU



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