

12 SIMPLE NO-COST WAYS TO REPAIR YOUR CREDIT.

Vital information you need to know BEFORE applying for a mortgage.

Your credit score is the single biggest factor that lenders use in determining your interest rate when you apply for a mortgage. Yet most people don't even know what a credit score is, let alone whether they have a high score or a low one. The sad truth is if your score is unnecessarily low—due to errors or lack of professional advice—you could end up paying thousands of dollars extra over the life of your mortgage!

As your local mortgage advisor, I'm committed to helping make home financing as affordable as possible. Over the years, while helping clients in a wide range of credit situations, I've developed a list of 12 easy steps that are proven to boost your credit score. Remember, just a small increase in your score can reduce the rate you pay on your next mortgage. No matter what kind of credit situation you're in, I can help ensure your credit score is the best it can be—so you can get the mortgage you need at the rate you want!

First, let's review how the credit reporting system works ...

How credit reporting agencies keep track of your financial situation.

Credit information is gathered by credit reporting agencies, sometimes called credit bureaus. There are two main credit reporting agencies in Canada: Equifax and TransUnion. Here's what they do:

- Store and maintain credit information about consumers
- Gather the information from companies who make loans or offer credit
- Make the information available to banks, finance companies, auto leasing companies, credit card companies and retailers, who use it to grant credit

By seeing how you've managed credit in the past, lenders can decide whether or not they should approve your application for new credit. One of the decision-making tools the credit reporting agencies provide to lenders is a credit score, sometimes called a credit rating.

How your credit score helps determine what your mortgage rate will be.

Your credit score is a three-digit number that lenders use when evaluating your application for credit. It provides a summary of how likely you are to repay a loan based on how you've managed your credit obligations in the past. Here's what you need to know about credit scores:

- A number between 300 and 850 that represents the information in your credit report at a particular point in time
- Calculated based on your payment history, how much you owe, how long you've had credit, how often you apply for new credit and the types of credit you have
- The higher your score, the lower the risk for the lender
- Your score needs to be over 750 to qualify for prime loans at the lowest interest rate

OK, now that you know how credit scores work, it's time to look at your own credit report.

ONLY BY SEEING WHAT THE LENDERS SEE CAN YOU DETERMINE IF YOUR CREDIT RATING NEEDS TO BE IMPROVED!

In Canada, you have the right to see your credit report for free. There are two ways to access your report:

- You can obtain it for FREE by mail or in person
- OR you can download it immediately for a fee

To find out how, visit Equifax.ca or TransUnion.ca

Do it now. Do it regularly!

Because your credit report is constantly changing, it's essential to check your credit files at least once a year to ensure the information is correct. If you're planning to make a major purchase or apply for a mortgage, CHECK YOUR REPORT 3 MONTHS IN ADVANCE to make sure there aren't any inaccuracies that can damage your credit score.

Of course, the complicating factor is that there are two credit reporting agencies and they each report on a slightly different group of creditors. This means every time you check your credit report, you have to check BOTH of them. But remember, both reports are FREE if you leave enough time to request them by mail.

Now that you have your credit reports, what should you look for? Go through each item and make sure it's accurate. Do you really have a credit card with the company listed? Were you actually late with that payment? Did you really miss a mortgage payment?

If you find an error, here's what to do:

- Try contacting the specific creditor or lender first. If you both agree a mistake has been made, ask them to correct it and send an update to the credit reporting agencies.
- If you can't make progress this way, go directly to the credit reporting agencies. They're required to investigate it on your behalf. Send them any receipts or documents that support your claim.
- If an error is confirmed, the credit agencies must correct it. Once your file is corrected, the agencies have to provide the updated information to all of the creditors that you identify.

Protect yourself from identity theft too!

Not only can correcting errors in your report improve your credit score—which can reduce your rate on an upcoming mortgage—it can also detect attempts at identity theft. Today, it's increasingly common for fraud artists to acquire a piece of a consumer's ID and use it to apply for credit. Unless you're keeping a regular eye on your credit report, you may not know you've been the victim of identity theft until it's too late!

Now, let's start repairing your credit ...

Basically, there are two main ways to repair your credit. As we've just discussed, one is correcting mistakes in your report. There's no doubt that mistakes do occasionally happen, so there's a chance that this could help.

But the most important way to repair your credit is to adopt specialized credit strategies that are GUARANTEED to raise your credit score, even if it's already in reasonably good shape. As your mortgage advisor, I'm very familiar with these techniques because I've seen how they help my clients get the affordable mortgage financing they deserve!

Below is my list of "insider" strategies that will cost you NOTHING as they help boost your credit score. But remember, all of these strategies take time—they're all highly effective fixes, but they're not INSTANT fixes.

That's why it's essential to start working with me today. Each of these steps involves changing your behavior, then giving that new behavior time to yield results. The best time to start ticking off each of these steps is NOW, a few months before you apply for a new mortgage. If you've had especially serious credit challenges, it may even take longer. But by working together, we can put you back on the road to financial security!

12 Simple No-Cost Ways to Repair Your Credit.

1. **Always pay your bills on time.** Try to pay your bills in full by the due date. If you can't manage this, at least pay the minimum amount shown on your credit card statement. Paying 30 days late or going into collection can reduce your score, and these black marks stay in your report for several years. This applies mostly to credit card bills. Phone, cable and electricity bills aren't usually recorded in your credit report, however, some cell phone companies may report late payments, which could affect your score.
2. **Don't go over the credit limit on your credit card.**
3. **Don't even approach the credit limit on your credit card!** The higher your balance, the more impact it has on your credit score. Try to keep your balance well below the limit. Staying below 65-75% of your limit can increase your score. Remember, maintaining two credit cards with a \$5,000 limit and a \$1,000 balance on each looks much better than one card with a \$2,500 limit and a \$2,000 balance.
4. **Don't apply for credit you don't need.** Too many inquiries over a short period of time can sometimes be interpreted as a sign that you're having financial difficulties or overextending yourself. However, most credit scoring formulas won't penalize you if, for example, the inquiries are the result of shopping for the best mortgage rate or the best car loan.
5. **Don't open new accounts just to earn points or discounts.** Opening several new accounts over a short period—especially if your credit history is less than three years—sends up a red flag that you might not be able to handle credit responsibly. Even though it may be tempting to take out a new store card to get an additional 10% off, the little bit you save may be insignificant if multiple new accounts actually reduce your credit score.

6. **Don't close old credit accounts, even if they're inactive.** Length of credit history is an important credit score factor. Even if you're not using an old account, keeping it on file in good order demonstrates a long-term credit history, which can increase your score.
7. **Make sure you have a credit history.** You may have a low score because you don't have a record of owing money and paying it back. An easy way to establish a credit history is to apply for a simple, no-fee credit card, make regular small purchases and pay off the full balance every month. If you can't qualify for a card by yourself, consider applying with a co-signer. Either way, if you maintain a positive repayment history, within a few months you'll have the beginnings of a good credit score.
8. **Work to increase your income.** Lenders like to see regular increases in your income. Whether this is through annual raises or occasional bonuses, it helps your chances of getting approved for financing.
9. **Work to decrease your debt.** If you can't increase your income, you'll achieve the same result by decreasing your debt. If you continue to use credit cards while paying them off, your amount of debt relative to income won't improve. However, if you can show that you've been reducing debt over time—by cutting unnecessary spending—this can look as good as regularly increasing your income.
10. **Try to avoid constantly switching jobs.** Lenders like to see stability in employment since stable income means you're more likely to make your payments. Once you've been with an employer for about 5 years, this can really begin to make a difference. Obviously, it doesn't make sense to stay in a dead-end job just for your credit score, but making a lateral move before applying for a mortgage probably isn't a good idea.
11. **Try to avoid frequent changes in residence.** Lenders like stability in residence almost as much as stability in employment. If you're renting a new place every year, lenders will wonder why. They also look more favorably on homeowners, so if you currently own a home, you have an advantage.
12. **As we said, be sure to correct any inaccuracies on your credit report.** Don't let obvious errors bring down your score.

As you can see, you really can repair your credit yourself. Simply follow these and other strategies I can suggest, and within a few months, you'll be able to qualify for a lower mortgage rate!

Now, I realize that even though these steps cost nothing, they can be time consuming. As an alternative, credit repair companies can take care of all the work for you, for a fee. If you're interested in this service, I can suggest some trusted local suppliers. However, keep in mind that with my FREE coaching and expertise, you can repair your own credit score and start benefiting from lower mortgage rates in the very near future!

Remember, time is of the essence. As I said, the process of credit repair can take several months. If we start today, your credit score will be in great shape before you know it. But if you take a few months to make up your mind, your dream of affordable home ownership will be pushed even farther into the future.