



What's Your Score?

Education & Training On Your Credit

How To Improve Your Score

1. **Ensure Your Information Is Accurate** – Request a copy of your credit report at least once a year to ensure your information is correct. When you request your own credit report, it does not affect your credit score.

Solution: Contact Equifax immediately to ensure all your information is correct

2. **Stop Applying For Credit** – Every time you apply for credit it reduces your score by approximately 5 points. People are mistaken when they think that simply applying for credit can't hurt them and often think if they are denied the credit that others will know. The biggest factor that affects your score is the inquiry not the decision.

3. **Pay Down or Pay Off Your Balances** – If you have a balance over 75% of the account limit, it is reported negatively each month even if you make your payment on time. This allows creditors to think that you are relying on your credit and puts you at higher risk. Example: If you have a credit card with a \$1000 limit and the balance is \$750 or higher, it gets reported negatively each month. Even with your payment made on time month. Which in turn lowers your overall score.

Solution: Consolidate your debts if you can to one account and ask for an increased limit so that the balance does not exceed 75% of the limit amount.

4. **Pay Your Bills On Time** – Having a late payment is recorded to the credit bureau if you are 30 days beyond the due date.

Solution: PAY ON TIME, while rebuilding your credit it is crucial to pay your bills on time, if for some reason you can not, contact the credit company prior to the due date and advise them of when the payment will be made so they can put a note in your file. Therefore they may not report to the bureau as a late payment. Lenders are on your side when they see good intentions of paying your debts

5. **Only Charge What You Can Afford** - Intend on paying your credit card off each month. Only spend what you can afford. Getting into this habit will leave you with a high credit score for the future as you become disciplined in managing your credit. People often stop using their credit out of fear however you must use credit in order to build it. Use it wisely.

Solution: Create a monthly expense budget and plan accordingly. Follow your budget each month and use your credit card for small purchases that can be paid off each month. THIS IS THE FASTEST WAY TO INCREASE YOUR CREDIT SCORE.





What's Your Score?

A Guide to Understanding and Rebuilding Your Credit



EACH VERICO BROKER IS AN INDEPENDENT OWNER OPERATOR
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This guide is intended to help you improve your credit score and provide you with information and knowledge to assist you through out the process. Only you can make these changes and it does take some dedication to bringing your credit score up over a period of time.

Obtaining a mortgage can be a daunting task. Most of the home buying anxiety is usually caused by the mortgage application process. The two major unknowns of the application process are whether you will get approved and at what interest rate you will get your mortgage. The higher your credit score the more likely you are to be approved for loans and receive favourable interest rates.

Credit Scores

There are two main credit bureau's in Canada, Equifax and Trans Union and each will send you a free copy once a year when requested by phone or mail. Equifax is the most common credit bureau used when handling mortgage credit inquiries. Both credit bureau's record your credit information and form a score that can range between 350 and 850, the higher the score the less risky you are.

Your Beacon score is usually the biggest deciding factor with the major lenders when it comes to mortgages. Below is a guideline of how lenders view credit scores.

Score	Rating
720-850	Excellent Credit
680-720	Good Credit
600-680	Fair Credit
350-600	Poor Credit

Types of credit accounts include:

- R** Revolving Has a limit and you can use, pay and use again like a credit card
- I** Installment Has a fixed number of payments like a car loan
- O** Open The full balance owing must be paid each billing cycle, Example: cell phone bill

Rating	Meaning
R0	Too new to rate; approved but not used
R1	Pays (or paid) within 30 days of payment due date or not over one payment past due
R2	Pays (or paid) in more that 30 days from payment due date, but not more than 60 days, or not more that two payment past due
R3	Pays (or paid) in more than 60 days from payment due date, but not more than 90 days, or not more than three payments past due

Rating	Meaning
R4	Pays (or paid) in more than 90 days from payment due date, but not more than 120 days, or four payments past due
R5	Account is at least 120 days overdue, but is not yet rated "9"
R7	Making regular payments through a special arrangement to settle debt
R8	Repossession (voluntary or involuntary return of merchandise)
R9	Bad debt, placed for collection; moved without giving a new address

How Can I Get A Copy Of My Credit Report?

There are two ways you can request your credit report from Equifax:

Phone: 1-800-465-7166 No charge for copy to be mailed (15 days)

Online: <https://www.econsumer.equifax.ca/ca/main?lang-en> \$15.50 (instant)

Why is some information on my credit file outdated?

Employment	Employment information is reported from applications for credit and therefore is not updated regularly
Balance	This reflects your balance on the date the financial/retail institution last reported the information. Many credit grantors supply information on a monthly basis, so the balance may not be your current balance
Old Accounts	A credit file is a history of your payment habits. All accounts, paid or unpaid, remain on your file for six years from the date of last activity
Duplicate Accounts	There may appear to be duplicate accounts reported in your credit file. This needs to be examined carefully, because some credit grantors issue new account number with every loan renewal. <i>When you report a credit card as lost or stolen, your credit grantor will issue a new card with a new number, resulting in a new item on your file.</i>
Accounts included in Bankruptcy	All items included in bankruptcy remain on file for six years from the date of the last activity.

How Can I Make Sure My Credit File Information Is Accurate?

Request a copy of your credit file. If you check your credit file periodically, especially before making any major purchases or applying for credit, you can make sure there are no surprises ahead. If you believe your file contains an inaccuracy, you can take steps to correct it. Simply provide information about the disputed item to the credit reporting agency.

If you find unfavourable, but accurate facts in your file, you may be able to prevent a potentially embarrassing situation by discussing this with the lender when you fill out an application. You can also initiate immediate action to re-establish good credit. You might consider adding a **short** qualifying statement to your credit file to explain the circumstances surrounding the negative information in your file.

How Can I Correct An Inaccuracy In My Equifax Credit File?

First you will need to complete a Consumer Credit Report Update Form online at <https://www.econsumer.equifax.ca/ca/view/investigation/investigation.jsp> Once complete, begin by contacting Equifax.

1. **Telephone:** 1-800-465-7166 between 8am-5pm EST
2. **Mail:** Equifax Canada Inc.
Consumer Relations Department
Box 190 Jean Talon Station
Montreal, Quebec H1S 2Z2

After Equifax receives your inquiry, they will begin the Dispute Resolution process. First, they review and consider the information you have sent about your dispute. If this initial review does not resolve the problem, they will continue the investigation. This involves contacting the submitter of the disputed information on your behalf to review the details. They will investigate and report their conclusions to Equifax. Based on their findings, Equifax may make changes to your credit file. If the disputed information is correct, they will not make any changes.

Equifax will send you a revised credit report if changes are made as a result of the Dispute Resolution process. They will also send your revised credit file to any company that requested your credit file 60 days prior to the change. In some cases, it may be a period longer than 60 days. If you are still not satisfied with your file, contact Equifax directly to discuss further action.

Who Can Update My Credit File?

It is impossible for a third party to make changes in your file if the facts have been correctly reported. There are individuals and companies that claim they can fix a bad credit file. This is not the case. If a file includes accurate, yet negative information about your credit history, this information cannot be changed. Information will only be changed when your file contains an inaccuracy.

How Long Does Equifax Keep Information In My Credit File?

In BC, everything pertaining to regular consumer debt, good or bad, stays on your credit report for 6 years. For more information about credit report details and ratings, consult the Equifax website at <http://equifax.ca>.

How is my credit file affected if I was a co-signer on a loan and the person on whose behalf I co-signed fell behind in their payments?

If you are a co-signer to a loan, the activities related to that loan will usually be reported by the credit grantor on both the file of the primary borrower and the co-signer. However, reporting policies may vary amongst credit grantors. Therefore where there is a default in payment, a note indicating that the loan is in default will appear on the credit file of the co-signer.

Tips on Preparing For A Mortgage

By carefully examining your credit history now, you have time to correct errors which can hurt your overall credit score. This can be done by requesting your own credit report directly from the credit bureaus. If you do identify errors, it can take six months or more to correct; the process is slow and painful.

Pay Your Bills On Time - Make sure you pay your bills on time, even if you just make the minimum payment. Skipping a payment is bad and making payments chronically late will make you look like a bad risk to lenders. Your payment history accounts for more than a third of your credit score, so it is imperative that you pay on time. Lenders focus most of their attention on how you have performed in the past twelve months. If you ever fall behind, get current as soon as you can and stay that way in the future. The most recent six months appears to be critical in the scoring process.

Pay Your Mortgage/Rent Payment On Time - When you apply for your mortgage the lender will ask to verify that you have been paying your rent on time. The best way for you to provide proof is to keep a copy of your cancelled rent checks showing the payments were made by the due date.

Credit Cards - Keep balances low on credit cards, and work toward paying off balances instead of just moving them around. Balances near the limit indicate poor credit management, and owing the same amount but having fewer active accounts may actually lower your score. Don't close or open accounts just to try to improve your score. It may backfire.

Avoid "maxing out" any account at any time - The model thinks this means you may be in trouble. Instead, try to show a steady decline in balance owed over a period of time, even if you open additional accounts.

If you are relatively new to the world of credit, go slowly - Don't open several credit cards at once. New accounts lower your average account age, and that hurts more when you have been managing credit for a shorter time. Have at least one active credit card.

Credit Inquires - Avoid unnecessary credit inquiries. Each time you apply for credit, the creditor makes an inquiry to your credit history. Each inquiry lowers your score by approximately four or five points. A common mistake is to go car shopping and allow multiple car dealerships look at your credit. Do not let anyone "check your credit" unless you are ready to make a purchase.

Bank Accounts - Maintain a checking account in good standing at all times. Avoid moving large sums of money around from account to account. If you must move funds, keep track of what, went, where, and why you did it. Mortgage lenders may want to see six months of bank statements, and may question anything out of the ordinary. A build-up of cash reserves is exactly what the lender hopes to see. In their eyes, it demonstrates your ability to live within your means.

Large Purchases - Do not make any large purchases or financial commitments in the six months prior to making your mortgage application. Buying a new car may be in your future, but do not do it in the six months prior to buying your home. Not only does it make less cash available for your down payment, but it likely requires another loan with another monthly payment. This new loan will have a negative affect on your debt-to-income ratio.

Try Not to Change Jobs - Lenders want to see stable income and employment. If you must change jobs within the 6 months prior to applying for your mortgage loan, the lender will ask for a letter stating that you have passed the probationary period. Once you have closed on your home loan, you are free to change jobs.



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