

Manage your credit score... and reap the financial rewards

First, let me assure you that you're never just a number when you come in to my office. But the hard truth is that – to most lenders – you actually are a number. It's an important number: your credit score.

Your credit score – the higher the better – is your passport to financial opportunities. Known as a FICO score – with a possible range of 300 to 900 – your number tells lenders what kind of a risk you are likely to be as a borrower. With a credit score above 800, for example, the lenders are going to be very happy to see you at their door. And you'll have a chance to save big on any borrowing you do. Why? That high of a credit score says you're reliable and responsible with your debt; you should get fast approval at the best possible rates.

But maybe you were late paying your credit cards a few years ago. Bad news: any history of late payments or a record of a debt being sent to a collection agency – and your credit score is going to take a serious hit. It doesn't matter how much the debt was for. If your score tips below 600, you may pay a premium on your borrowing rate.

Maybe you didn't even know that someone – somewhere – was keeping track of how you handled your credit. But if you've ever had a credit card, borrowed money, or leased a car, the credit agencies probably know who you are.

The good news is that you can manage your credit score to make the most of your financial opportunities. First of all, knowledge is power. It's easy to find out your credit score, and to see your full report: everything that a lender would see. You can order your credit report free through the mail, or you can order it online and – for a small fee – you can download it immediately. To get started, contact Equifax at 1-800-465-7166 or www.equifax.ca. You can also contact Trans Union at 1-866-525-0262 or www.transunion.ca. As soon as you get your report,

check closely for any errors in your file. If something is wrong, report it immediately, so that your file can be corrected.

You should know that your credit score captures your perceived lending risk at a moment in time so your score can change from month to month. The companies that hold your credit accounts and loans report transactions to credit bureaus regularly. That's a great opportunity for you, because it means you can improve your score with the right credit "behaviours".

The basics are simple. You need to pay your bills on time – making at least the minimum payment. Using your credit card regularly and paying it off promptly is better than not using it at all, or carrying a big balance. Your score will be higher if you have a gap between your credit limit, and what you currently owe. Try not to let your balance run higher than one-third of your limit.

The longer your history, the better. Don't cancel your oldest credit card – even if you no longer use it. That good history can help you. Get advice before you cancel unused cards. And don't regularly take out new credit accounts.

Are there more strategies for credit score improvement? Sure. Start by talking to an experienced mortgage planner who can review your situation and help you determine how best to improve your credit. A mortgage planner deals with over 50 lenders and knows their qualifying criteria. They can also discuss special credit repair mortgages designed to get you back on track if you've had some past credit problems. These mortgages are designed to consolidate debt at today's great mortgage rates, which will certainly help your credit score improve. Credit is part of the mortgage business and since mortgages are their only business, it's a great place to start.

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