

What Lenders Look For: Good Credit Improves Your Mortgage Negotiations

Contrary to what you may think, you don't manage your credit applications and payments in a vacuum. Your credit behavior (as some have learned the hard way) is tracked by credit bureaus such as Equifax Canada and TransUnion of Canada. This information is tabulated, and then you are assigned a credit rating. It's important for you to maintain as high a rating as possible. The following information shows you how you can be sure to earn a good score, and why it's so important to do so.

Lenders have access to this information. Think about it. When you decide to apply for a mortgage for a home purchase, or a hefty loan for home renovation – don't you want A+ right up there beside your good name?

Your good name is really what's it's all about. In the financial world, your credit profile is your reputation. If you have a good record, it means smooth sailing ahead for you. If your record isn't all it should be, you might be in for a bit of rough weather when it comes to acquiring the monies you need -- at the interest rates you want.

Your payment history -- especially of credit card debt -- is one of the most important factors considered when your score is being tabulated. Any missed, late, or neglected payments are duly noted. Not only does a prompt payment history buff your credit image – it saves you money in interest, and assures a quicker retiring of that debt too.

Timeliness of payments, actual amount of payments, the state of your credit card balances versus credit available, the number of cards you own, the frequency of your requests for more credit – these are just some of the tidbits of personal financial information that make up your credit profile. This comprehensive history is compiled to show lenders how reliable a debt risk you are. To put it simply – they want to know whether or not you are credit worthy.

Your credit score is established with a mathematical formula. Various factors are weighed and balanced and given a certain percentage value towards your final score. Credit bureaus also take into consideration -- in addition to factors already mentioned –

your existing debt burden, your actual and potential income (remember you do give out these details when you apply for credit), your debt to income ratio, your past financial problems (any bankruptcy or foreclosure remains a long time on record), your job stability – essentially any piece of public information that helps build an accurate as possible risk assessment of you as debtor.

Your credit rating is a fluid and an ever-changing thing, dependent upon your present financial circumstances and any actions you make. The credit bureaus always follow your money trail. Because the formation of your profile is an on going thing, it's vital for you to consistently practice reliable and responsible debt handling. The good news? The ever-changing quality of your credit rating allows you to continually aim for a higher score. Think of your rating – not as a burden -- but as a challenge and an opportunity.

Infrequent requests for additional credit? That's a really good sign to a lender. Keep in mind that mortgage and loan shopping won't impact you negatively if it's done in a concentrated time period. The credit bureaus interpret this flurry of activity positively – as long as it doesn't occur too frequently. You want to look savvy, not desperate.

How much plastic is too much? Too many credit cards red flag you to potential lenders. Limit your cards to three or four, and try to maintain longtime use of at least one card. This is a key way to build up an excellent credit history. The amount of credit you use, versus credit available, is really telling too. Keep your balances low.

It's your right to pull up your credit report profile and it's in your interest to do so. (You can do this online at www.equifax.com). Experts advise you to check it out at least once a year. Doing so gives you the opportunity to correct any errors or misinformation that may be there. Practice reliable and responsible debt management. Then, when you do actually need money for a major undertaking (like the purchase of a home), your credit rating will be an asset, not a liability.



Peter Kampe, AMP
Mortgage Agent
FSCO Lic. M08001395

t 1.800.804.3767
f 1.800.841.8223
e mortgages@kampe.ca
w www.kampe.ca

