

Credit Repair 101

So you don't have the best credit record in history. You've maxed out cards, missed monthly payments, and "robbed" from plastic Peter to pay plastic Paul. Your financial mistakes have finally caught up to you, and you've just found out officially that you have a poor credit score. In most cases, you can recover from your credit mistakes. Make a disciplined plan to repair your credit profile with our Credit Repair 101 tips:

MAKE A PLAN AND STICK TO IT.

You must be serious and committed to making changes in your lifestyle - changes that will bring financial peace of mind. Above all, restrict yourself to absolutely necessary purchases. Borrow wisely. The two most important questions to ask yourself: "can I afford it?" and "do I really need it?" As tempting as it is to cut up all of your plastic, you must maintain responsible credit card use - your new payment history will gradually rebuild a better credit rating for you.

PROMPT PAYMENT

of bills, especially of credit cards, is the surest way to repair your credit rating. As you have discovered, we leave "financial footprints" for all to see. Payment of our bills, both amount and timeliness, are tracked by credit rating agencies such as Equifax Canada and TransUnion of Canada.

SAY NO TO GRACE PERIODS

when offered by credit card companies. It's hard to resist such offers, and because your budget is tight, you naturally want to "legally" skip payments - but don't do it. It's a bad credit habit; only a financially strapped customer would fall for this, and you no longer want to send out that kind of message. Pay at least the minimum balance if you are really tight, but ideally you want to pay above that.

ALWAYS TRY TO PAY MORE THAN THE MINIMUM BALANCE

due on your credit cards. Not only does it polish your credit rating, but it also saves you a lot of money in interest, and makes a huge difference in your eventual goal of debt retirement. A key credit skill.

KEEP YOUR BALANCES LOW

This is an important strategy, and one that will reflect well on your use of credit. You want to keep your balance way below the credit available to you.

DON'T SEND OUT FINANCIAL DISTRESS SIGNALS

Avoid excessive inquiries for credit. Do not use credit from one company to pay off credit to another. The creation of multiple new accounts is another red flag that works against you.

MAINTAIN AND USE BETWEEN TWO TO FOUR CARDS

- less than two and it takes longer to create a new payment history. More than four, and you look like you cannot manage your debt. Remember - responsible, steady, and reliable use of your cards is your first and best defense against a poor rating.

TRY TO KEEP YOUR OLDEST MOST ESTABLISHED CREDIT CARD ACTIVE

The longer your history is with a certain company, the better it is for your credit rating. This is your most important account. If the interest rate is excessive, contact the company and explain your situation to them. Let them know that you are serious, and eager to maintain them as a creditor. Their goal is to keep a reliable customer, so make that work for you.

CONTACT YOUR CREDITORS

Don't hide your head in the sand, and hope for the best. Take action. Pick up the phone, and explain your situation. Be upfront and honest. Remain cooperative and calm. Not only will they appreciate your initiative, but also they will be willing to create a payment plan that works for you. By calling, you are showing them that you are a concerned low risk customer. And, by communicating, you will avoid the dreaded collection agency round - a real downer for your credit rating.

SLOW AND STEADY

wins the race. You'll be rewarded for responsible longtime credit handling. Be patient - the passage of time will earn back your good credit profile. Then, when you do need credit for a major purchase - such as a car or a house - it will be there for you. Once recovered, maintaining a good credit rating takes vigilance, but it's worth the effort. You'll be able to live and enjoy a financially stable life.

"you can recover from your credit mistakes"



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