Give Yourself the Credit You Deserve

"… a black mark on your credit history can stay there for up to seven years."

Last month you forgot to pay that measly $20 minimum payment on your credit card. No big deal, you can just double up your payment this month, right? Sure, but did you know that you just lowered your credit score by up to 100 points, and, that even a delinquent payment of $20 can adversely affect your credit rating for up to six months? While the average Canadian may not be thinking about their credit score, if you're in the market for a mortgage it's important to not only know your credit score, but also what your credit history looks like and how it can affect your rating. A poor credit report can seriously jeopardize your ability to get the financing you need at an interest rate you can afford. And, when you consider that a black mark on your credit history can stay there for up to seven years, it becomes clear why maintaining a good credit score is imperative.

A home buyer's credit history is an integral part of the mortgage approval process because a person's history is a reliable indicator of how they will pay down their mortgage and manage their finances in the future. A credit profile provides a snap shot of what is happening with a person's finances today and lets us determine if we are taking any risk if we issue the loan.

While the amount of available credit is considered in your score, a more important consideration is how responsibly you manage your credit. Making regular monthly payments on time and avoiding delinquencies is one piece of the credit score puzzle, but of equal importance is how you use your credit.

If you are going to carry a balance on a line of credit or credit card, it's important to keep it well below the limit of that credit source. Even if you make your minimum monthly payments, consistently hovering around your credit card limit can indicate a tendency to take on debt. And, remember that department store credit card you cut up years ago? Well if you forgot to cancel the card, that, along with other dormant accounts can also affect your rating.

You may be surprised to know that the number of inquiries made on your credit report by organizations assessing your credit profile might also have an adverse affect. Every time you apply for credit, whether it is at a car dealership, furniture store, or another financial institution, an inquiry is made on your credit report, and too many inquiries can be a sign of poor fiscal management. As a result, you may want to consider holding off on large purchases until after your mortgage financing is secured.

So, who makes a good candidate for a mortgage? The ideal candidate generally has a credit score above 680, a consistent payment history and outstanding balances that are well below their credit limits. We're also looking for a stable employment history, and the size and source for the down payment. All of these things help demonstrate whether a person can afford to carry the mortgage they are applying for and if they will pay it back. While there are a wide variety of mortgage products available today, even for homebuyers with bruised credit, having good credit works to your advantage because it helps to secure a lower interest rate. That translates into savings over time as more money goes toward your mortgage principal rather than interest.

It is highly recommended that in addition to making regular payments and keeping balances low, Canadians review their credit report on a regular basis to ensure that any errors on their reports are caught prior to applying for a mortgage. Regularly monitoring your credit activity can also protect you against identity theft and fraud.

Kim Gibbons, AMP
Mortgage Agent
FSCO Lic. M08001363

t 416-400-8107
f 1-866-827-9671
e kim@mortgagesuperhero.com
w www.mortgagesuperhero.com

MORTGAGE INTELLIGENCE®