

The Benefits of Great Credit

(and How to Boost Yours)



Whether you want a loan to make a large purchase or you're applying for a job, a high credit score may give you an advantage. It not only helps you secure a lower interest rate and save money over the life of your loans, it also demonstrates to lenders and potential employers that you're financially responsible, and likely responsible in other areas of your life. Financial institutions and employers put their trust in this score and are more inclined to trust you if you're a low-risk candidate.

1 Lower interest rates on loans and credit cards.

Lenders consider people with great credit a good risk, meaning they're confident the borrower will pay back the money. If you're applying for a mortgage, good credit may get you a wider range of mortgage offers. One or two percentage points in interest may save you tens of thousands of dollars over the life of the loan.

2 Leverage to negotiate lower credit card interest rates.

The higher your score, the more bargaining power you may have when negotiating interest rates. Why? Your credit card company does not want to lose your business and they will often lower your finance rate. You need to ask! Additionally, you may be able to cite other offers you've received from companies based on your score, which may help you negotiate a better deal and save money.

3 Qualify for lines of credit.

If you need to make a large purchase, such as new appliances or furniture, good credit helps you qualify for a line of credit to buy them.

4 Qualify for higher limits.

Since you have a strong history of repaying your debt on time, banks may be willing to lend you more money and, if asked, will often increase your credit limit.

5 Rental approval.

If you're renting a home or apartment, a good credit score increases your chances of securing your ideal location. Landlords use credit scores to screen their tenants' payment history, delinquencies and charge offs. This is also true if you're renting a vacation home. Many agencies will run a credit check and, if your credit is good, you may be able to negotiate fees and lower rates.

6 Gain employment.

Many employers are checking the credit of their applicants. If you have good credit, you are seen as more responsible than applicants with lower credit scores.

7 Avoid security deposits.

Utilities and cell phone providers often require a security deposit when you sign up for service. With good credit, you may not have to pay a deposit when you sign up for service or, in the case of utilities, transfer to another location.

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How to Increase Your Credit Score

Great credit is within reach, if you follow these timeless tips.

Always pay your bills on time.

This simple act each month will build great financial habits that will pay off over the long run.

Keep your balances low.

Credit issuers often report your balance to the credit agencies on a certain date, typically the last day of your billing cycle. Consider paying all or part of your bill before the closing date (call your credit issuers to find out the specific date) so the issuer will report a lower or zero balance. Also, ask your issuer if they accept multiple payments during the month to help you maintain a lower balance and still earn rewards.

Maintain a credit utilization ratio of less than 30 percent.

Simply put, your balances make up 30 percent of the total amount of credit available to you. If you'd like to increase your credit score faster, lower your credit utilization ratio to less than 10 percent.



Tackle your debt. Start with the highest interest rate card or loan. Once that debt is gone, pay down the balance with the next highest interest rate. Continue the process until you've paid off all your existing credit card and loan debt.

Avoid using your credit cards to pay for large purchases.

While credit cards make it easy and convenient to buy what you want, the compound interest can add up quickly and work against you if you don't pay the balance off in a timely manner.



Good Financial Habits to Cultivate Now

Check your credit report. You're entitled to a free credit report from both credit agencies—Equifax Canada and TransUnion Canada—if you request it by mail. Be sure to save both reports and review thoroughly. If you notice any inaccurate information, report it immediately to the credit agency.

Set up automatic payments. If you have trouble remembering when bills are due, set up automatic payments. Or, if you prefer to pay all of your monthly bills at a specific time, set up payment reminders to help you remember due dates.

If you're young or have a short credit history, avoid opening several new accounts at once. Opening multiple accounts in a short amount of time may lower your score. Also, if you're rate shopping, lump it into a single inquiry. Several new inquiries into your credit can count against you.

It's never too late to repair your credit. If you have to start over due to bankruptcy, be diligent about opening new accounts and continue to make your payments on time. This will help you rebuild your good credit history.