

THE BAYLEY *BH* HAY TEAM



CREDIT SCORE

FACTS

RE/MAX.

Hallmark Chay Realty, Brokerage

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FOREWARD AND ACKNOWLEDGEMENTS

This guide has been prepared to introduce you to the process of home ownership.

I have attempted to be as accurate as possible using all data current at the time of development. Please note that different programs and legislation affecting various aspects of real estate change frequently.

In light of that, the reader should always verify any information regarding any concerns that he or she may have with an appropriate source, be it Realtor, lawyer, financial institution or government agency.

Here's to Your Wealth Through Real Estate,

Neil

Thank you to Re/Max Atlantic Canada for the extensive knowledge base they have provided from which I could draw. Without that, along with my years in real estate and the expertise of my team, this would not have been possible.

Making Your Move Easy

CREDIT SCORE FACTS

Your Equifax Beacon Score tells lenders how much of a risk you are, and hence it determines how much you'll pay for your next mortgage. So it's important to know what affects it.

About Your Beacon Score

Beacon scores range from 300 to 900 (a perfect score). The average Canadian adult has a Beacon near 700.

Many people think you need to be in the 800's to get great mortgage rates. That isn't the case. Only 11% of Canadians rank above 800, and it's virtually unheard of to see a Beacon near 900. All you really need is 680-700 to get the best mortgage rates. Even 600 can get you a decent enough deal if you can prove income and haven't had any delinquencies for at least a last year.

As of October 15, 2008, 600 is the minimum credit score for insured mortgages. That means you'll need at least a 600 score to qualify for good rates on mortgages with less than a 20% down payment.

If your score is below 600, you're what lenders call a "B" client (i.e. there's issues with your credit that banks won't like). 1 out of 5 Canadians are in this boat, but don't despair! Your credit can be fixed and there are still lenders willing to give mortgages to the credit challenged if you have a big enough down payment. We've seen deals get done with Beacons as low as 480!



Also keep in mind, the exact score needed depends on the type of mortgage you require. For example, mortgages for the self-employed, or for rental properties, often require higher scores!

Here's a table showing the approximate effect of different Beacon scores on mortgage interest rates. This is based on our anecdotal experience and not empirical data. But it gives you a rough sense for how rates go up as your Beacon score goes down.

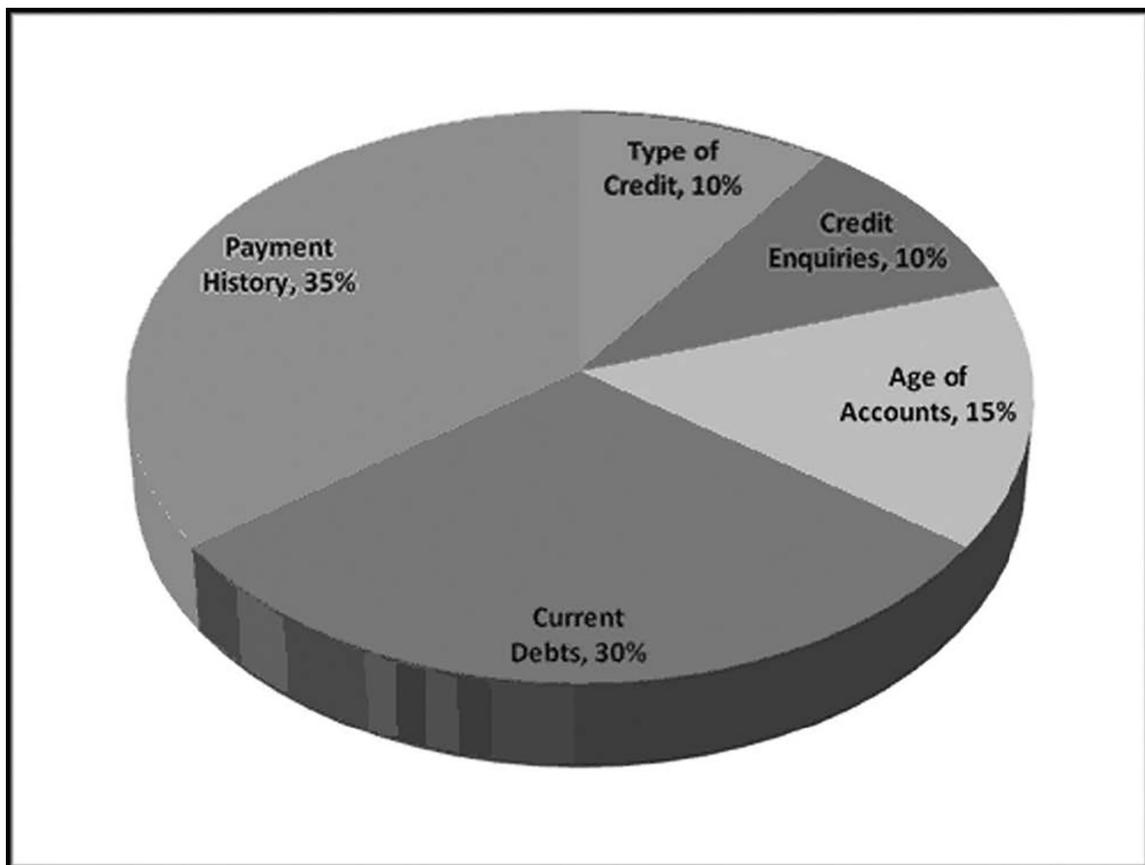
Beacon Score	Interest Rate
620+	The Best Rate
600 - 620	+1.00%
580 - 599	+1.50%
540 - 579	+2.00%
- 540	+3.00% - 3.75%

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Each situation can be different, as some lenders charge an extra fee for self employed people or people that have had some blemishes on their bureau and the chart above should be used as a guide only.

Assuming you want to improve your credit (and who doesn't?) you should know how the Beacon formula is calculated. Here are the main criteria:



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While no one knows the exact formula (except the inventor, Fair Isaac Corporation), Beacon scores are roughly based on:

Component	Weighting	Notes
Payment History	35%	Factors in the recency of, and number of, payments over 30 days late, collections, judgments, and bankruptcies. A single 30-day late payment can drop your score 15-20 points.
Current Debts	30%	Considers how much you currently owe (in absolute terms and compared with your credit limits), how many creditors you owe money to, and how much you <i>could</i> owe if you maxed all your available credit.
Age of Accounts	15%	The longer your accounts have been opened the better. You generally need at least three accounts over one year old.
Type of Credit	10%	Bank loans, credit cards, and revolving credit accounts all impact you differently.
Credit Enquiries	10%	Numerous credit applications in the past 12 months is a no no. This is a big benefit of mortgage brokers, who pull your credit only once for multiple lenders.

Besides the obvious (bankruptcies, judgments, etc.) the top Beacon killers are:

- Payments over 30-days late
- Maxing out credit cards (i.e. using over 70% of a high credit limit)

If you have a lot of maxed out cards, bring them at least below 70% of their limit (Below 50% is better. Below 30% is best). Your credit score can jump considerably in as little as a month.

The moral is, know your credit score and manage it carefully. Over 70- 80% of Canadians have mistakes on their credit report.

Don't be afraid to check yours or for assistance call Dawn, our Team Mortgage Specialist

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