



**CHRIS ALLARD**

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# How to Maintain or Regain a Good Credit Score

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## Answers to Common Questions about Credit Scores

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The topic of credit can be a confusing one. From accessing your credit report to understanding how it is calculated, it can be difficult to move forward and repair bruised credit without knowing what is causing your low credit score in the first place.

So, to help you better understand your credit score, we've answered some of the most common questions about credit scores and credit reports and provided some tips for maintaining or improving your credit.

# What Does Credit Mean in Canada?

Credit refers to your level of financial risk for potential lenders—the risk of not paying back a loan or credit card. Your credit is represented as a number between 300 and 900.

Your credit score is based on your financial history, including your financial behaviour, and it reflects how financially responsible you are.










In the eyes of lenders, someone with good credit is more likely to pay their bills on time. Whereas someone with poor credit is more of a risk since they have a history of late payments or defaulting on their loans.

Those with good credit can easily get approved for credit cards and loans. And those with poor credit will have to build up their credit to have more financial freedom.

## How Is Credit Tracked and How Can You Access Your Credit Report?

Credit bureaus, also known as consumer reporting agencies, keep track of consumer credit information in the form of credit reports.

Credit bureaus receive all the information from consumers' credit accounts to create credit reports or files. **This information includes:**

 Balances	 Name, address, date of birth	 Number of dependents
 Credit limits	 Social insurance number	 Occupation
 Payment history	 Marital status (and spouse's name/age, if applicable)	 Employment history

You can order your credit report for free from one of Canada's credit reporting agencies-Equifax or TransUnion.



# What Is Considered A 'Good' Credit Score?

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Credit scores range from 300 to 900 points in Canada. While 900 is the best possible credit score, a score of 650 is considered good and your likelihood of being approved for a loan is still strong with this rating. Having a credit score below 650 can affect your ability to qualify for new credit, however, this isn't always the case. For instance, mortgage default insurers tend to prefer a credit score of at least 620 but are often willing to make exceptions for scores that are below this.

## How Is Credit Calculated?

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A credit score is calculated with numerical weights placed on various factors in your credit file. These factors are based on your credit history and payment behaviour.

The most important factor for your credit score is your payment history, as it makes up 35% of your overall score.



## 1. Payment History–35%

Your credit history includes a record of paying bills, both late and on-time—including loans, credit cards, and utility bills.

Paying bills on time consistently will boost your credit score, whereas late payments or having an account sent to a collection agency will lower your credit score.

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## 2. Delinquencies–10%

The number of and severity of delinquencies on a credit report can seriously affect a credit score. Delinquencies include defaulting on loans, having accounts sent to collections, and a history of bankruptcy.

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## 3. Recent Inquiries–10%

When you apply for new credit, the lender will do a credit check (inquiry), and this will appear on your credit report. Frequent and recent inquiries can hurt your credit score because they can be seen as a red flag to lenders.

If you recently applied for new credit, you might be seen as in financial trouble and less likely to make payments on time.

## 4. Balance-to-Limit Ratio–30%

Maxed-out credit cards or credit accounts with balances close to the limit (more than 50% of the limit) will harm credit scores. So aim to keep your account balances low on your credit accounts—ideally below 30 to 75% of your limit.

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## 5. Length & History of Accounts–15%

Since good credit history is built over time, having a long credit account history helps boost credit scores. An account that has been open for a long time makes you appear as less of a risk to lenders than having a new account that was recently opened.

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## 6. Variety of Accounts

Having a mix of credit products—car loan, credit cards, line of credit, etc.—can add points to your credit score because it shows that you are financially responsible and can manage a variety of credit accounts.

While having different types of accounts is good for your credit, having too many accounts—e.g. too many credit cards—can hurt your credit, especially if they carry balances. Too many accounts can be a sign of financial trouble.

**Unlike the other factors listed above, there is no percentage to indicate how much weight credit variety has on your credit score.**



# Can A Low Credit Score Be Harmful?

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A low credit score can prevent you from having certain financial, employment, and lifestyle opportunities. Lenders, insurers, landlords, employers, and utility companies can review your credit score and credit behaviour.

So, if you have a low credit score, they may see you as too much of a risk and reject your application for jobs, loans, rentals, or insurance.

## A low credit score can affect:



### Job Applications

Some employers might ask for permission to check your credit when you apply for jobs. And if you have a poor credit history, they might decide not to hire you.



### Loan Applications

When you apply for more credit—credit cards, car loans, mortgages, etc.—lenders will look at your credit score and history to determine your creditworthiness. With a low credit score and poor repayment history, you will be considered a high risk to lenders since you might not make payments on time or you might default on your loan.

If the lender decides to approve your loan application, a low credit score will impact the credit limit and interest rate of your loan—the lower your credit score, the lower the credit limit and the higher the interest rate will be.



### Housing Applications

Landlords will often check credit reports to see if applicants are at risk of missing rent payments. If you have a history of paying bills late or defaulting on payments, a landlord might reject your rental application and choose a tenant who has a better credit history.



### Car Rental Applications

Car rental companies can also check your credit report to see if they are at risk when lending you their property.



# How Can You Work Towards Improving Your Credit Score?

Though it will take some time, there are various ways you can improve your credit score, including:

## Pay Off Debt

Start paying off your debt, especially high-interest accounts with high balances. Lowering your high account balances will help improve your balance-to-limit ratio.

## Avoid Late or Missed Debt Payments

Paying bills on time every month will help improve your credit score. So avoid missing payments, as a late or missed payment will hurt your credit.

## Get a Secured Credit Card

A secured credit card is for those who have no credit history or who need to rebuild credit. To open a secured credit card account, you will pay a deposit, which sets the limit for your account. You can use it like a regular credit card, making regular payments on time, and your credit behaviour will be sent to the credit bureaus to gain points on your credit score. Our recommendation is the Home Trust Secured Credit Card.

## Correct Credit Report Errors

If you notice any errors on your credit report, contact the credit bureau so they can verify and remove any errors on your credit report.

### Common errors include:

- Wrong mailing address
- Wrong social insurance number
- Late payments
- Unauthorized credit inquiries
- Errors in your credit accounts
- Signs of identity theft

## Don't Close Old Accounts

The longer you have an account open, the better it is for your credit. So, even if you don't use old credit accounts anymore, keep these old accounts open instead of closing them to help your credit score.

## Boost Your Credit Utilization Ratio

Keep using your credit and paying it off on time to improve your credit score.

## Debt Consolidation

You can consolidate all of your high-interest debts into a single manageable monthly payment to help pay down the principal amounts faster and improve your credit score.

## Obtain a Home Equity Loan to Pay Off Debt

Tapping into your home equity to pay off high-interest debt is another way to pay off debt faster and improve your credit score.

## The Takeaway

Though credit is complex, with many factors that influence credit score, there are ways to build your credit over time. So, don't let a low credit score get in the way of achieving your financial freedom. With a bit of work, time, and patience, you can build your credit score and enjoy the many benefits of having strong credit.

## Cost of Borrowing Disclosure for Credit Card Application

<b>Annual Interest Rate</b>	<p>The Interest Rate is in effect the day the Account is used or activated.</p> <p>Purchases: <b>19.99%</b></p> <p>Cash Advances: <b>19.99%</b></p>
<b>Interest-Free Grace Period</b>	<p><b>21 Days</b></p> <p>The payment Due Date will be at least <b>21</b> days after the monthly Statement Date. No interest is charged for new Purchases if the New Balance is paid in full by the Due Date shown on the monthly Account Statement.</p> <p>There is no interest-free period on Cash Advances or balance transfers.</p>
<b>Minimum Payment</b>	<p><b>3.00% or \$10.00</b></p> <p>The monthly Minimum Payment is the greater of (i) <b>\$10.00</b> or <b>3.00%</b> of the New Balance shown on the monthly Account Statement, and (ii) any amount over the Credit Limit.</p>
<b>Foreign Currency Conversion</b>	<p><b>2%</b></p> <p>Purchases or Cash Advances in a foreign currency will be converted into Canadian dollars at the exchange rate set by Visa International in effect on the day the transaction is posted to the Account, plus a <b>2%</b> currency conversion charge.</p>
<b>Annual Fees</b>	<p>There is no Annual Fee.</p>
<b>Other Fees</b>	<p><b>Over Limit Fee: \$29.00</b> charged at the end of the billing period if the Debt exceeds the Credit Limit during any period covered by an Account Statement.</p> <p><b>Dishonoured (NSF) Cheque Charge: \$45.00</b> for each cheque or other instrument used to pay Debt that is dishonoured by the financial institution on which it is drawn.</p> <p><b>Account Maintenance Fee:</b> for an inactive Credit Card Account with a credit balance that has not changed for <b>360</b> consecutive days, a fee of the lesser of <b>\$10.00</b> or the full credit balance will be charged on that date.</p> <p>These fees are for services requested and will be charged on the day the transaction or event occurs:</p> <p><b>ATM Charge: \$2.50</b> for Cash Advances up to <b>\$250.00</b> and <b>1%</b> of Cash Advances for amounts greater than <b>\$250.00</b> up to a maximum fee of <b>\$10.00</b> for Cash Advances from an ATM displaying the Visa or Plus logo located in Canada; <b>\$4.50</b> for Cash Advances up to <b>\$300.00</b> and <b>1.5%</b> of Cash Advances for amounts greater than <b>\$300.00</b> up to a maximum fee of <b>\$15.00</b> for Cash Advances if the ATM is located in United States; <b>\$5.50</b> for Cash Advances up to <b>\$366.67</b> and <b>1.5%</b> of Cash Advances for amounts greater than <b>\$366.67</b> up to a maximum fee of <b>\$15.00</b> for Cash Advances if the ATM is located outside Canada and the United States. These fees are in addition to any other charges that may be levied by the owner/operator of the ATM.</p> <p><b>Statement Copy/Update Fee: \$5.00</b> for a copy of an Account Statement for any other period other than the current statement period.</p> <p><b>Sales/Cash Advance Draft Copy Fee: \$5.00</b> for each copy of a Purchase or Cash Advance draft. No charge will be applied for any copy of a draft to which an Account posting error is determined.</p> <p><b>Rush Plastic Fee: \$39.00</b> for the delivery of a new or replacement Card by courier at the request of the Applicant(s).</p>



To be eligible to apply for this Visa product, the Applicant confirms they are:

- not currently in bankruptcy
- a permanent resident of Canada
- of the age of majority in their province or territory of residence

This product is currently not available to residents of Quebec

TELL US ABOUT YOURSELF						
<input type="checkbox"/> MR. <input type="checkbox"/> MRS. <input type="checkbox"/> MISS <input type="checkbox"/> MS. <input type="checkbox"/> DR. <input type="checkbox"/> OTHER						
FIRST NAME		INITIALS	LAST NAME		MOTHER'S MAIDEN NAME (REQUIRED)	
HOME ADDRESS		APT. NO.	CITY	PROVINCE	POSTAL CODE	# OF YEARS
PREVIOUS ADDRESS IF LESS THAN 2 YEARS		APT. NO.	CITY	PROVINCE	POSTAL CODE	# OF YEARS
SOCIAL INSURANCE NUMBER (RECOMMENDED)	DATE OF BIRTH MM/DD/YY (REQUIRED)		HOME TELEPHONE ( )	MOBILE TELEPHONE ( )	EMAIL ADDRESS	
<input type="checkbox"/> EMPLOYED <input type="checkbox"/> SELF-EMPLOYED <input type="checkbox"/> UNEMPLOYED <input type="checkbox"/> COMMISSION <input type="checkbox"/> RETIRED <input type="checkbox"/> STUDENT <input type="checkbox"/> DISABLED <input type="checkbox"/> HOMEMAKER <input type="checkbox"/> SEASONAL/PART-TIME				ANNUAL INCOME (BEFORE TAX)	OTHER ANNUAL INCOME (BEFORE TAX)	
CURRENT EMPLOYER NAME			OCCUPATION (Please be specific, eg. Medical Technician)		BUSINESS TELEPHONE ( )	# OF YEARS
EMPLOYER'S ADDRESS		SUITE NO.	CITY	PROVINCE	POSTAL CODE	

**I certify the information provided is correct and I consent to collection and use of credit and personal information as set out below.**

**Personal Information:** You may collect credit, identity and financially related information about me during the course of my relationship with you from credit bureaus, other financial institutions and references ("Information"). You may also disclose Information to credit bureaus, financial institutions, Visa Canada and Visa International and their agents and to outside providers of card services. You and those parties may use Information to identify me, understand my needs and eligibility for this Application and for Card and other services to recommend and market particular products and services. You may also use my personal cheque submitted for my security deposit application to verify my deposit account with a Canadian Financial Institution.

In addition, as part of the online authentication process, you may use a third party information service to confirm my identity. In order to process my online Application, you are required to ask me for personal information, which will be compared against the information contained in my consumer credit report, for the sole purpose of confirming my identity. To obtain a copy of Home Trust's Privacy Code, visit [www.hometrusted.ca](http://www.hometrusted.ca) or call 1-888-281-7793.

**Card Account:** Please open a Home Trust Visa Account in my name ("Account"), issue me Card, and Personal Identification Number. I will be bound by the Cardholder Agreement you will send me, as amended or replaced from time to time; use of any Card applied for will prove I have received and read it. I will ensure that all Authorized Users review the Cardholder Agreement, other agreements and program terms you will send me. Credit will be extended upon approval of this Application.

**Does the Applicant or any of their family member(s) hold or have ever held or is a close associate to one of the following offices or positions in or on behalf of a Domestic or Foreign State?**

☐ YES ☐ NO

A head of state or head of government; member of the executive council of government or member of a legislature; deputy minister or equivalent rank; ambassador or attaché or counsellor of an ambassador; military officer with a rank of general or above; president of a state-owned company or a state-owned bank; head of a government agency; judge; leader or president of a political party represented in a legislature. A family member (living/deceased) refers to: mother, father, child, spouse, common-law partner, spouse's or common law partner's mother or father, sibling (brother, sister, half sibling, step sibling, adoptive sibling).

Close Associate refers to: a Politically Exposed Person who is a widely and publicly known close business colleague and/or personal advisor, in particular financial advisors or persons acting in a financial fiduciary capacity.

**If yes, complete and submit a separate Politically Exposed Persons Declaration Form, which can be found under "Legal Documents" at [hometrusted.ca](http://hometrusted.ca).**

**SECURITY DEPOSIT AMOUNT: \$ \_\_\_\_\_ (Minimum \$500; Maximum \$10,000)**

My Credit Limit is set at the amount of my Security Deposit. All funds must be made payable to "Home Trust Company". Home Trust's preferred method of payment is with a PERSONAL CHEQUE. Home Trust will also accept WESTERN UNION, MONEY ORDER, or BANK DRAFT from a Canadian Financial Institution. Home Trust will not accept cash.

**I apply for the Home Trust Visa Account and agree to the terms and disclosures included with this Application.**

Applicant Signature \_\_\_\_\_

Date \_\_\_\_\_

**Note to Applicant:**

- An Applicant recently discharged from bankruptcy must include their "Certificate of Discharge" with the completed Application.
- Judgments appearing on an Applicant's credit bureau must be repaid or satisfied prior to applying for credit.

**Mail completed Application and Security Deposit to:**

Home Trust Company, Attn: Secured Visa Department  
145 King Street West, Suite 2300, Toronto ON M5H 1J8

\* Visa Int./Home Trust Company, licensed user of mark.

REFERRAL CODE

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