

How to Change your Bad Credit Rating to A Good Credit Rating!

In this Issue:

How to Fix a Damaged Credit History	1
Financial Disaster Warning Signals	2
Know Where You Stand – Now!	3
Five Factors of Credit Scoring	3
Top 10 Ways to Improve Your Credit	5
Quick Credit Score Fixes	5
Secured Credit Cards	7



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How to Fix a Damaged Credit History

You can get back on track!

Credit is the driving force of our economy. It finances our homes, our vehicles and our vacations. It also helps us to pay for things like appliances or hotel rooms. In short, for many people credit is "the good life".

Credit allows you to carry less cash or rent a car without a lot of hassles. Credit is the only way you can purchase items online or to buy airline tickets.

Credit is neither good nor evil... it just depends on how you use it. The misuse of credit can ruin your financial health or destroy your self-esteem, marriage, and your entire life while proper use of your credit can make all your dreams come true!

Basically, credit is a promise to pay for something in the future that you received in the present... for example – a mortgage is a type of credit. A Mortgage allows you to make a very large purchase that you otherwise would not be able to pay upfront.

If your dream is to buy a home and you don't have the cash, you'll need to rely on credit to help you to achieve your goal. Today, if you have good credit you could, for example, purchase \$200,000 dollar home with as little as 5% down payment and have smaller monthly payments than someone who has poor credit and who buys the same \$200,000 home with a 25% down payment.

Having good credit is a necessity in today's world, yet millions of Canadians are turned down for loans, mortgages and credit cards every year.

If you don't have a credit card or if you are one of the millions being turned down for credit due to poor credit payment history then I urge you make a commitment to yourself to correct this problem.

How to Change your Bad Credit Rating to A Good Credit Rating!

We will share with you knowledge gained by working many years in the mortgage & credit industry. We will show you how to build your credit to a credit score well over 700 which will help you to save thousands if not hundreds of thousands of dollars in your lifetime.

Financial Disaster Warning Signals

We want to cover some warning signals, which if corrected in time, can help you to steer clear of financial disaster, but first thing you'll need to do is to ask yourself these three questions:

1. How do you know if you are just falling a little behind or if you are on your way to bankruptcy?
2. How can you keep bankruptcy from happening when the bills just won't stop coming?
3. How do you climb out of the debt hole without causing damage to your credit report – not to mention your quality of life?

Here are some of the common warning signals which, if corrected in time, can help you to steer clear of financial disaster:

- Spending increasing amounts of your income to pay your bills;
- Putting off paying your bills for a few days because you don't have enough money to cover them;
- Being near, at or over your credit limit on your credit cards or lines of credit;
- Being turned down for credit because your ratios are over limit;
- Making only minimum payments on your bills;
- Juggling your bills by paying minimum monthly payments on another credit card;
- Using credit cards for small expenses because you don't have enough cash to pay for them;
- Paying bills with money which was supposed to go for something else;

- Using credit to pay for normal living expenses;
- Using savings accounts to pay your bills;
- Have no savings;
- Having your credit cards cancelled by the issuer because you have been consistently over your limit or a slow payer;
- Had your auto or life insurance cancelled because you can't afford them;
- Putting off medical visits because you can't pay for them;
- Working overtime or two jobs to have extra cash;
- Received utilities shut-off notices in the past;
- Being overdrawn at the bank;
- Worrying a lot about money;
- Arguing with your spouse about money problems;
- Being afraid that someone can find out how far in debt you are.

If you answered yes to one or more of the questions, you may or may not have cause for alarm.



Depending on the context of your answers, however, if you are drawing down your savings to make minimum monthly payments on all your credit card bills, then the alarm bells should be ringing loud and clear.

If you answered yes to many or most of the warning signals, you definitely have a problem and should seriously consider taking care of it before it's too late.

You can't get credit without established credit history and it's hard to develop a credit history when no one will give you credit. The secret is to start small and work your way up.

How to Change your Bad Credit Rating to A Good Credit Rating!

Gasoline cards are easier to get than Visa or Master Cards, but the problem is that gasoline companies rarely report to credit bureaus. The only time they will report is when you are delinquent and therefore they are not a good place to start.

Many people will try department store cards, but that's not a way to go either. Your chances of getting one are 50/50 and even if you get approved they will start you with a very small credit limit (usually \$500.00) which is not good enough for mortgage lenders.

You may be able to purchase a new home without a down payment even if you had a bankruptcy discharge 24 months ago, providing that you have re-established your credit payment history for a minimum of one year.

Re-established credit for a minimum of one year means that you must have a loan or a credit card with a minimum credit limit of \$1,500.

Know where you stand now!

There are number of ways for you to build credit, but before you get started you'll need to obtain a copy of your credit report. How can you re-establish your credit if you don't know where you stand in first place?

Once you have your credit report check it for unpaid collections. One of the best ways to get your credit rating headed in the right direction is to begin with paying off your bad debts.

You can obtain a free copy of your credit report simply by contacting Equifax National Customer Care Centre at 1-877-227-8800, Trans Union at 1-866-525-0265 or [click here](#) to purchase it online for \$14.50 from Equifax and read it instantly.

Credit scoring has an enormous impact on your financial picture. It can mean the difference between getting a good interest rate on your

mortgage loan, or whether you even qualify at all. It is therefore imperative to be well-versed on the factors that influence your credit score, and have the ability to take simple, yet very important steps to clean up your credit. The purpose of this guide is to put you on the right path to obtaining a better loan at some point in the future.

We all know that good credit translates into lower rates for consumers and you need to know how to work the system to your advantage, and have a plan in place to get a better deal when things don't immediately fall into place for you.



Understanding your credit bureau is the first step to establishing good credit.

The Five Factors of Credit Scoring

What the credit scoring model seeks to quantify is how likely you are to pay off your debt without being more than 90 days late on a payment at any time in the future.

Credit scores can range between 300 and 850. The higher your score is, the less likely you are to default on your loan. Only one out of approximately 1,300 people has a credit score of 800. These are clients who walk away with the best interest rates. On the other hand, one of eight prospective home buyers

are faced with the scenario that they may not qualify for the loan they want because they have a lower score, between 500 and 600.

Here is a simple chart to give you the tiering structure and what it means to the lender.

720-850	You are at the top of the best rates and terms offered to you.
700-719	Excellent score. You are very desirable borrower.
680-699	Good Credit. You should be in good shape to buy.
660-679	Ok credit. Don't look for other exceptions.
640-659	Borderline. Ok if everything else is strong.
620-639	Weak. The rest of your life must be perfect.
600-619	Difficult. Needs some work, or a special program.
Below 600	Trouble! Try to fix up your credit immediately!

Your credit score comprises of five factors, listed below in order of importance, just as a lender will see it.

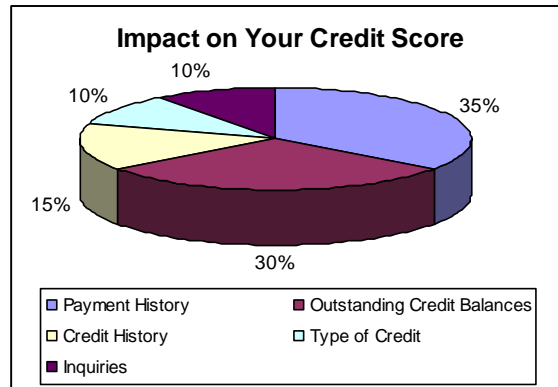
Payment History: 35% Impact. Paying debt on time and in full has a positive impact however late payments, judgments and charge-offs have a very negative impact. Missing a high payment has a more severe impact than missing a low payment.

Outstanding Credit Balances: 30% Impact. The ratio marking the difference between your outstanding balance and your available credit is important here. Ideally, you should keep your balance below 10 percent of your available credit limit.

Credit History: 15% Impact. This marks the length of time since a particular credit line was established. A seasoned borrower is stronger in this area.

Type of Credit: 10% Impact. A mix of auto loans, credit cards, and mortgages is more positive than a concentration of debt from credit cards only.

Inquiries: 10% Impact. This quantifies the number of inquiries that have been made on your credit history within a six month period. Each hard inquiry can cost from two to 50 points on a credit score but the maximum number of inquiries that will reduce the score is 10. Eleven or more inquiries in a six-month period will have no further impact on your credit score.



One thing that is important to remember is that the computer is not taking any personal factors into consideration when it calculates your score. When lenders run your credit report, it is simply today's snapshot of your credit profile. This can fluctuate dramatically within the course of a week, depending on your own activities. Be aware of this when you go out on a shopping spree. You need to make sure you are not creating a negative impact on your score while the lender is reviewing it.

Also, please remember that some lenders are compiling a Tri-Merge Credit Report and these three scoring systems can vary in their results. This combines the scores provided by Fair-Issiac (FICO), with the score generated by TransUnion (Empirica) and the Beacon Score produced by Equifax. The lender is going to look at the middle score and throw out the other two.

Typically, a person with bad credit is in this position because they lack structure in their life. There are, of

How to Change your Bad Credit Rating to A Good Credit Rating!

course, causes where health has been a factor, or perhaps there's been a layoff or fluctuation in employment, but for the most part, there are individuals who lack the discipline of paying their bills on time or curbing their spending. Our job is to provide them with a simple roadmap to get back on the right track.

Top 10 Ways to Improve Your Credit Score

10. Learn what your current credit score is and what appears on your credit report. Equifax Score Power gives you immediate access to your credit report and includes your current FICO score.
9. Don't open new credit cards that you don't need just to increase your available credit. This approach could backfire and actually lower your score.
8. Try to keep your total account balances as low as possible. High outstanding debt may negatively affect your score, as you have a greater chance of missing payments.
7. Correct any incorrect information that might appear on your credit report. Visit "[Fixing Errors on Your Report](#)" at Equifax for more information.
6. If your credit is severely damaged, or you have a very short credit history, there are still ways to improve your credit over time. Consider opening new accounts responsibly and paying them off on time.
5. If you fall behind on paying a bill because of illness, unemployment or family issues, write a short explanation to the credit reporting agencies. They will add it to your credit report. Also, call your creditor to explain the circumstances and, if

possible, work out a payment schedule you can meet.

4. If you need help building your credit from scratch or re-establishing credit after bankruptcy or consumer proposal, consider taking advantage of a secured credit card.
3. To minimize the number of inquiries on your credit report, don't apply for multiple credit cards over a short period of time, or for a card you're not likely to get. Apply for new credit accounts only as needed.
2. Make all of your payments on time. If forced to miss a payment, be sure to pay the following month. Accounts more than 60 days past due will be indicated on your credit report.

And the #1 way is....

1. Continue to check your credit report regularly, correcting errors and inaccuracies that can damage your credit score. [Check your Equifax Credit Report now!](#)

Now, let's get into some examples that will help you deal with less than perfect credit scores on the fly.

Quick Credit Score Fixes

Let's say you have a credit score of 664.

You have a concentration of credit card debt on one card; let's say \$17,000 on a card with a \$20,000 limit. At the same time, you have four or five additional credit cards, all with a zero balance. Our advice to you is to distribute the debt over the cards that you have available to work with. This changes the ratio of debt to available credit and can cause the credit score to pierce through that magical

How to Change your Bad Credit Rating to A Good Credit Rating!

threshold on the chart above, and put you in the 680-699 category of having good credit.

If any of your credit cards are above their limit, pay them down immediately, as even one dollar over limit can negatively impact your credit score by as much as 70 points!

Another thing to take into consideration in a case like this is the percentage that each of the five factors weigh in on your resulting credit score.

Let's say you have a credit high (the maximum debt allowance on all cards, combined) of \$20,000. You have one card that is used for business purposes that is pushing the limit. Get two new cards, each with a \$5,000 limit, and once again, spread the debt out over the credit leaving a 30 percent margin of available credit on all the cards. Yes, this will affect the factor of credit history, but this specific factor only affects your overall score by 15 percent. The big difference once again, is the resulting impact on the credit balance factor, which has a 30 percent influence on the overall score and can cause the overall calculations to pierce through the next level on our chart.

Keep your credit card accounts open. Don't close any existing credit card accounts, even if they are at a zero balance. Some people think they are doing themselves a favor by having fewer cards, and they lose out on the credit history factor. Even if you don't have good rate on those old credit cards, you are rewarded for having the long-term credit history.

These are just a few examples of what you can do while you are in the loan process. If you were turned down, don't be disappointed. [Monitor your credit score](#) often to turn this situation around. Use the tips found in this guide and your score will be over 720 in no time at all.

Remember... new debt will temporarily drop the score, but once the first payment registers as "paid", the score will begin to go up again.

More than 90% of our clients didn't have a perfect credit when they first applied for a mortgage with us, but because we work with them on ongoing basis, providing them with debt consolidation home loans, second mortgages or new first mortgages, they are all in much better shape today.

Some required private mortgage funds to pay off their bad debt first, others needed a private mortgage and debt arbitration (negotiation with creditors to reduce the amounts owing) and others started with a secured credit card to re-establish their credit.

Now that you paid off your bad debt you are ready to start re-establishing good credit.

Ways to Re-Establish Good Credit

You could try to take out a new loan. This is the more traditional way to build your credit. The problem is that bankers will be reluctant to help you. You will need to go from a bank to bank or visit few credit unions until you find an open minded manager.

One loan option may be through Refresh Financial. They offer secured savings loans designed to help you start an automatic savings program. They specialize in lending to people with past credit issues. For more information, please visit www.refreshfinancial.ca

If you find a bank or credit union willing to work with you, take out a small loan, open a savings account there and leave the money in the savings account. Then simply set up a pre-authorized payment plan and have the banker withdraw the payments automatically from your new savings account.

This is a win-win and foolproof strategy, but it requires a little bit of legwork.

How to Change your Bad Credit Rating to A Good Credit Rating!

You can also ask your friend or family for help. We are not a big fan of this strategy, but if they would be willing to add you to their existing credit card then why not?

Just make sure that the credit card company will report the payment history to your credit file. Since not all credit card companies will do this, you could be wasting your time if you don't check with them first.

You will need to use this joint credit card for your own purchases and that provides increased risk to your friend or relative.

You are also at risk. You have no control over your friend or relative activities. If they rack up debt - you are liable and if they don't make the payments - your credit will suffer even further!

Secured Credit Card

The best way to re-establish your credit is with a secured credit card.

A secured credit card is a product where the security deposit you provide is equal to the credit limit of your credit card. Your deposit will be held in an interest bearing account and paid to you annually on the anniversary of the opening of the security deposit account.

You are required to make regular payments to your account over and above the security deposit amount because this isn't the same as a "pre-paid" card - it is a regular credit card.

You get to set your own credit limit because your credit limit is equal to your security deposit. The minimum deposit amount is usually \$1,000 but you can deposit up to \$10,000. We would recommend beginning with \$1,500, since this is the amount traditional lenders want to see for re-established credit.

If you have an outstanding judgment against you, you may still qualify. In this case, you are required

to submit third party funds. You will also be required to provide written documentation confirming that the funds you are providing are not your own.

This mitigates the risk of claims on your deposit from other creditors. Simply provide written documentation confirming that the funds you are depositing are not your own.

Your security deposit is held for as long as you maintain your account. If you decide to cancel it, your deposit will be returned to you with interest, after all outstanding purchases have cleared and the balance owing is paid in full.

Secured credit card is currently available nationally to Canadian residents, except those residing in province of Quebec.

To obtain secured credit card you must be at least the age of majority in the province/territory where you reside (18 years of age in Ontario, Alberta, Sask. Manitoba, PEI; 19 years of age in BC, New Brunswick, Nova Scotia, NFLD/Labrador and the territories).

Currently there are only two companies in Canada offering a secured credit card - Capital One and Home Trust.

The problem with Capital One is that they start you with a very small deposit which is not taken seriously by mortgage lenders. If you already have Capital One Secured MC, you'll need to get Home Trust Secured VISA as well.

Home Trust Company is a federally regulated trust company that is licensed to conduct business across Canada. For the past 25 years, the primary operation has focused on being the first choice alternative provider of residential mortgages.

Home Trust Company is also a deposit taking institution and is covered by the Canada Deposit Insurance Corporation (CDIC). That means your deposit is fully insured. Home Trust is 100% owned by Home Capital Group and is a publicly traded company on the Toronto Stock Exchange.



A secured card with Home Trust will allow you to build or rebuild a solid credit history in about 12 months.

The fact that it is a Visa card means that you can use it at over 450,000 merchant locations in Canada and over 24,000,000 locations worldwide. Cash advances are available at over 620,000 ATMs displaying the Visa logo worldwide. With a Visa card, you can make reservations, shop online, rent a car and make purchases by telephone.

Almost everybody who applies for Home Trust Secured VISA is approved. The current approval rate is approximately 95%. If your application is declined, Home Trust will return your security deposit to you (cheques are not cashed until the application is approved).

If you have never applied for credit in Canada, you probably do not have a credit file under your name at the credit bureau. If that is the case, then you may be required to provide documents that verify your address, date of birth or Social Insurance Number (a copy of your driver's license, a copy of a current bill, or a copy of your health card/SIN card).

There are two ways to send your deposit:
 1. Attach a cheque (personal or certified), money order or bank draft to your application form and mail it to Home Trust

2. Send the deposit through Western Union
 If you wish to use Western Union, call 1-800-325-6000 to find the location nearest you. At Western Union, you will be given a Quick Collect Payment Form.



Fill it out as follows:

Pay to: Home Trust VISA
Code City: HOMEVISA
Province: Manitoba
Sender's Account With the Payee Company: 9198

When the funds have been sent, you will be given a "money control number". This number must be indicated at the bottom of the application form.

You can also fax your application to Home Trust to speed up the process, but only if you have paid your security deposit through Western Union and indicated the money control number on your application. Home Trust VISA fax number is: 416-360-6693 or 1-877-989-9979.

If you don't have a chequing account, Home Trust will accept checks from a third party.

The application process takes approximately 2-3 weeks from the time the application and security deposit are received. If you send guaranteed funds (certified cheque, money order, bank draft or payment by Western Union), it will take one week less than if you send a personal check, as Home Trust must wait for personal check to be cleared by the bank.

There is no real way to speed up the process, however, ensuring that your application is complete will help. Guaranteed funds will expedite the process by one week because they don't have to wait for the funds to clear.

Also, if either of the following applies to you, there are documents you can send with your application to ensure that your file is not delayed:

- if you have moved since your last loan/credit request or if you do not have a credit history, send a copy of your driver's license or a bill that matches your current address.
- if you have recently been discharged from bankruptcy, attach your certificate of discharge.

How to Change your Bad Credit Rating to A Good Credit Rating!

You can increase the limit on your card by sending additional funds to Home Trust and clearly indicating that you are requesting a credit line increase. If you simply make an overpayment but do not submit a request to have your credit limit raised, your available credit will increase temporarily, but your credit limit will remain the same.

As with most credit cards, Home Trust VISA has fees. There is a one-time set-up fee of \$39 charged to the first statement. A monthly fee of \$7.50 will appear on subsequent bills. For a secondary card, there is an additional fee of \$3 per month.

Interest rates are slightly higher, but keep in mind that you are not going to have this card forever.

The interest rates and fees charged by Home Trust VISA are small drop in a bucket compared to what you would pay in interest on mortgages & loans if you don't re-establish your credit.

Most banks charge between 17 and 21% on their credit cards with department store cards being as high as 28.8%. Home Trust charges 19.50% on purchases and 21.50% on cash advances.

Interest is not charged if the balance is paid in full by the statement date. However, for cash advances, interest is charged from the time the advance is made to the time it is paid off.

You don't have to pay the full balance off, but you have to pay at least the minimum payment on the statement and you cannot use your security deposit to pay off the balance.

You can make your payment at any Canadian financial institution that bears the VISA logo (Bank of Montreal will also accept payments), either in the branch or through PC or telephone banking. If you prefer, you can mail your check or money order directly to Home

Trust in the envelope provided to you with your statement.

To apply for Home Trust Secured VISA you can print the application form, fill it out and mail it to 145 King Street West, Suite 1910, Toronto, Ontario, M5H 1J8 or to the PO Box on the application, along with your security deposit (Home Trust will not process an application without the deposit).

You can obtain an application form by following [this link and printing the form.](#)

