

Brokers for Life

REAL LIFE MORTGAGE SOLUTIONS

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Credit Scores and What the numbers mean to you.

Credit scores have been around for quite a few years and the intent I believe was to help lenders judge your credit worthiness and decide if they should lend to you and what rate you should receive. Ideally the higher your credit score the better the credit then the lower the rate.

Credit score typically run from 300 to 850 with the 850 being the higher end of the score, for the purpose of buying a home CMHC looks for a minimum score of 585 with most lenders more likely to want a 650-credit score. With recent changes to the system you would now expect that the lower the credit score the higher the rate you will pay for a mortgage. If you have poor credit and your score is in the 400 to 500 range, then you can still get a mortgage but the rate and down payment will be higher.

Your credit scores is constantly changing, they reflect a snapshot of your credit history at one moment in time. If you have a lot of debt a credit counselor can give you tips on how to save more and pay down your debt. While you can pay to review your credit scores on a regular basis, you're also entitled to a free annual credit check. If you're ever denied credit, you can also access your credit report for free.

There are many things that can reduce your credit score such as high balances or missed payments — those actions will be negatively reported in your credit scores. The longer you can practice having good consistent payment then the better your credit score will become.

To calculate your score, the positive and negative information in your credit report is broken down into five scoring categories. Your payment history and the amount of money you owe are weighted most heavily. The length of your credit history carries some weight although not as much as the others, as does your mix of credit meaning credit cards, mortgages, personal loans and the amount of new credit you have applied for or opened all affect the scores.

Being credit savvy takes some work but not missing payments and keeping your balances low are two of the easiest ways to keep your credit score high.