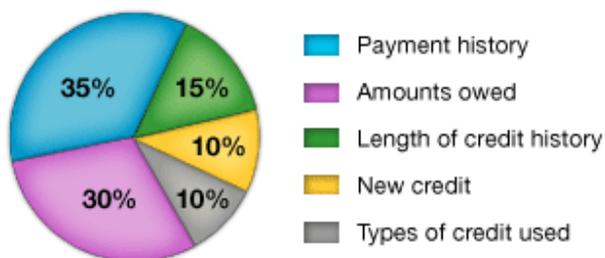


As the deadline for changes to high-ratio government guaranteed mortgages approaches, now is the time to start coaching those clients to improve their credit scores. ...

Many people with scores below a 620 beacon, may have challenges finding mortgage financing in the near future.

After Oct 15, at least one applicant on a high ratio mortgage application MUST have a minimum 620 beacon score at all insured lenders. All applicants require a minimum 620 beacon score (with most lenders) and some products such as a Home Equity Line Of Credit, require a 650 beacon score.

Below is a chart to show you the factors that make up a credit score, the classification of each and some **HOT TIPS** on keeping a good score or improving a low one. This is great information.



These percentages are based on the importance of the 5 categories for the general population. For particular groups - for example, people who have not been using credit long - the importance of these categories may be somewhat different.

Payment History

- Account payment information on specific types of accounts (credit cards, retail accounts, installment loans, finance company accounts, mortgage, etc.)
- Presence of adverse public records (bankruptcy, judgments, suits, liens, wage attachments, etc.), collection items, and/or delinquency (past due items)
- Severity of delinquency (how long past due)
- Amount past due on delinquent accounts or collection items
- Time since (recency of) past due items (delinquency), adverse public records (if any), or collection items (if any)
- Number of past due items on file
- Number of accounts paid as agreed

Amounts Owed

- Amount owing on accounts
- Amount owing on specific types of accounts
- Lack of a specific type of balance, in some cases
- Number of accounts with balances
- Proportion of credit lines used (proportion of balances to total credit limits on certain types of revolving accounts)
- Proportion of installment loan amounts still owing (proportion of balance to original loan amount on certain types of installment loans)

Length of Credit History

- Time since accounts opened
- Time since accounts opened, by specific type of account
- Time since account activity

New Credit

- Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account
- Number of recent credit inquiries
- Time since recent account opening(s), by type of account
- Time since credit inquiry(s)
- Re-establishment of positive credit history following past payment problems

Types of Credit Used

- Number of (presence, prevalence, and recent information on) various types of accounts (credit cards, retail accounts, installment loans, mortgage, consumer finance accounts, etc.)

Please note that:

- **A credit score takes into consideration all these categories of information, not just one or two.**
No one piece of information or factor alone will determine your score.

- **The importance of any factor depends on the overall information in your credit report.**

For some people, a given factor may be more important than for someone else with a different credit history. In addition, as the information in your credit report changes, so does the importance of any factor in determining your credit score. Thus, it's impossible to say exactly how important any single factor is in determining your score - even the levels of importance shown here are for the general population, and will be different for different credit profiles. What's important is the mix of information, which varies from person to person, and for any one person over time.

- **Your credit score only looks at information in your credit report.**

However, lenders look at many things when making a credit decision including your income, how long you have worked at your present job and the kind of credit you are requesting.

- **Your score considers both positive and negative information in your credit report.**

Late payments will lower your score, but establishing or re-establishing a good track record of making payments on time will raise your credit credit score.

Here are just a few quick tips that can help put you in a better position under the discerning eye of an underwriter!

- **HOT TIP!** Do you have past due balances that have been neglected? If they are showing up on your credit report and you want to purchase a home, make sure you bring them up to current status whenever possible.
- **HOT TIP!** Do you have outstanding debt that you can afford to pay off right now? Try to get these accounts down to a zero balance, or at least a lower balance. If your cash on hand doesn't allow you to do this, try to distribute the debt amongst other open credit cards. You can also consider opening a new line of credit and transferring part of the balance off a card that is close to being "maxed out." If you can get the resulting balances below 50% of the available credit, you're on the road to improving your credit score considerably in most cases.
- **HOT TIP!** Do not close existing credit card accounts, even if you don't want to deal with the company any more... Believe it or not, the credit history is a good thing to have!
- **HOT TIP!** See if your credit provider will increase your available lines of credit. This can, in turn, reduce the overall debt ratio, but only do this if your credit card company can do that without a hard credit inquiry.
- **HOT TIP!** Do you have past dues and charge-offs within the last two years? Pay them off now, if you can! Past dues older than two years will have little to no impact on your credit score if they are paid, but can possibly bring the score down, which is something we don't want to do... Focus on that 2-year time frame.
- **HOT TIP!** Do you see errors in your report? Request the credit bureau delete any outstanding debt that is incorrectly charged to you, or things that should have been removed that you have already paid. They have an obligation to reconcile this within 30 days. If you see items on your report that are less than two years old and you have the money to pay it off now, mark the back

of your payment check with the following notation: "Accepting this check is evidence that the transaction is complete and this charge will be deleted from my credit record." If necessary, you can use this cancelled check as proof of the transaction in the event the outstanding debt is not removed promptly and interferes with the closing of your loan.