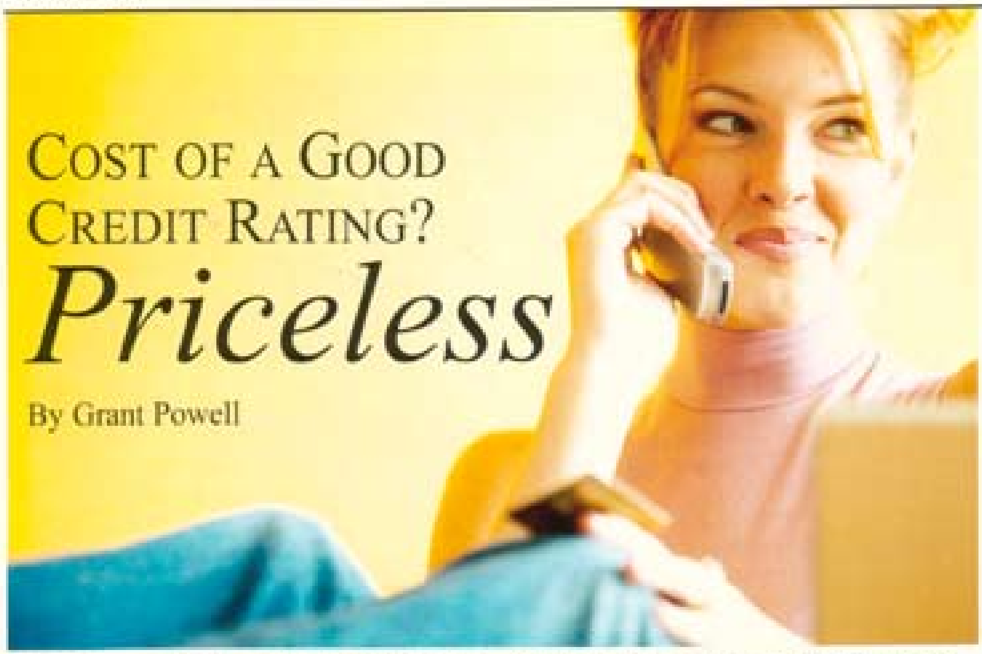

Cost of a Good Credit Rating? *Priceless*

By Grant Powell

Your credit score is an important aspect when it comes to securing a mortgage on your dream house or financing any big ticket item. It is one area we learn little about through our school years. Typically the only information we are bombarded with is all the different signing incentives and special discount cards credit card companies offer. With this being the case, the last thing you would want to be surprised by is bad credit rating. Here are some healthy hints on how to prepare yourself when your credit is pulled so that there aren't any surprises when you're ready to purchase a property or anything of significant value.

Having at least an average credit score is highly beneficial in order for you to get access to the best possible mortgage products rates and terms. How it works is the lower a persons credit the higher the interest rate and the higher a persons credit score the lower the interest rate. Thus having a good credit score could save a borrower thousands in interest payments.

How credit works is, when money is borrowed in the form of a loan or on a credit card the lender sends information to a credit bureau informing them how well the borrower handles debt. From this information, as a borrower applies for and uses credit, the credit bureau determines what makes up his or her credit score.

The factors used to calculate an individuals credit score are:

1) Previous credit performance
2) Current level of debt
3) Time credit has been in use
4) Types of credit available
5) Your pursuit of new credit

The major credit scoring companies in Canada use all these factors but sometimes differ in the weight they give to each area. This is why a credit score may not be the same from all companies.

Tips on creating and keeping a healthy credit score

1) **Credit history:** This is area which boosts your rating the most. Make a consistent effort to make sure all bills are paid well within the 30-day grace period
2) **Current level of debt:** Keep your outstanding balance owing always less than 70 percent of your limit. This shows you are credit responsible due to having access to credit but not going to the limit.
3) **Time credit has been in use:** The longer your credit has been in use, the more it has been used and paid back, shows it is likely that these good habits will remain consistent in the future.
4) **Types of credit available:** Having at least two or three credit sources such as credit card line of credit and a car loan shows you are balanced in responsibilities, although too many cards can be trouble due to too many payment responsibilities per month. I suggest getting loans and cards on automatic payment thus minimizing the risk of forgetting payments.
5) **Pursuit of credit:** Refrain from applying for every card that comes through the mail, every time you apply your credit score is checked which is not bad say twice a year, but too many times will bring your score down.
6) Credit is best built and maintained following good habits of paying bills and applying for credit over a few years time, as opposed to a great credit history but only over six months time

For questions on this topic and other mortgage related topics feel free to > contact Grant at grant@viewmagazine.ca