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## ***Understanding the financial side of purchasing a home***

### **Things that wreak your credit rating:**

Not paying the minimum amounts and paying your bills past their due dates wreak havoc with your credit standing monthly. If you are always in a rush it is a good idea to pay the minimum on any payments due before the due date-but in the month that it is due. So get a schedule and learn to live by it. This will save you a lot of headaches when applying for new credit.

\*\*\*Department stores do not allow any grace period and sent notices to the Bureau's at the end of the due day, that payment hasn't been received.

### **Money Gifted towards your home purchase**

Some times relatives or friends will gift you some money towards your home purchase. Please Invest your Gifted Deposit Now. If your planned deposit on your new home purchase is in the form of a gift, banking it now will serve as a great advantage to you. When you have the money for over 3 months, then you do not have to claim the deposit as a gift, at this time it is your personal savings!! Almost all Lenders look at this more favorably then a 100% gifted deposit. A good idea is to add this to your R.R.S.P. account, as this money can then be withdrawn for use toward your deposit. Inform your R.R.S.P. Representative about your plans at the time you open your account. If you don't know a representative call me and I will be happy to help you find an excellent representative.

**Do not seek any additional credit between now and your new home purchase.**

Be careful when searching for a mortgage or getting or checking into getting any additional credit during this time!! Every time you seek credit, be it an application for a store credit card, i.e. The Brick, Future Shop, applying for a pre-approved mortgage or opening a bank account a credit bureau check is done on you. The seeking of credit too often is seen upon in the eyes of the lenders as negative. Be very diligent about what forms you sign in the next while and ensure you do not grant permission for any credit bureau's to be pulled for you. Many consumers have been so close to their new home purchase and the next stop is shopping at Sears, the Brick or even a new car. Only to discover their credit score is now too low and their pre-approval is now void!

(I had clients who had been pre-approved, went and purchased a house and then went and bought a car, only to discover that they were no longer eligible for a mortgage. Henceforth their house had to be put back on the market and they had to wait another two years to purchase a home)

**Do Correct Your Credit Bureau**

It may take a few months and a couple of phone calls, yet in the long run it is in your best interest to ensure that your bureau is up to date and accurate. Many past clients have told me that the experience can be quite educational. Resulting in a new awareness for them, bringing to light the importance of maintaining good credit files and the keeping of paper receipts, and files in good order.

These are two bureaus to contact:

Trans-Union of Canada Inc-1-866-525-0262/ 1877-525-3823

Equifax Canada Inc 1-800-465-7166.

If you give your credit card information here it just assists them in finding your file quicker, no charges will be levied.

**Do Not Change Employment...**

Until after you have moved to your new home. Ensure that you do not change employers between now and the time of closing on your new home purchase, if at all possible. Two years @ \$30,000.00 is better than three months @ \$35,000.00. Lenders like to see steady employment within the same firm from purchasers. Now if you have had consistent employment stability and you take a

position with a new firm doing the same type of work, this is not necessarily going to void your chances of qualifying for a mortgage, each case is looked upon individually. Remember that employment stability is looked upon very favourably and will greatly help your profile.

**Yes it is embarrassing if you get turned down by financial institutions but read on...**

### **Things to do to improve your chances of being approved**

First if you have less than 25% of the purchase price to put down on a house, you will need C.M.H.C, which is a mortgage insuring company. When the Credit Bureaus rate their clients, they use what is called a Beacon score. To qualify for a mortgage you must score a pre-set rate, as well as show a positive history of recent good credit.

## ***The do's and don'ts of credit building***

### **Do reduce your current debt load.**

Work on eliminating your credit card balances and any other small loan balances you may have. The ongoing uses of your credit cards is a great credit builder and almost a necessity yet always remember the lower these balances are the better. So a card with a \$1,000.00 limit is fine with only a balance of a \$300.00, yet a balance of \$950.00 in this example, would lower your Beacon score. You want to try to have the majority of your balances below 50% of their limit, at the time you apply for a mortgage loan, and ensure your are NEVER over the limit at application time, even a few dollars.

### **Do continue to actively use your current cards or if needed obtain a credit card.**

I have had people refused a mortgage until they establish credit as crazy as that sounds. Paying cash for everything in our society is frowned upon. It really is a catch 22, as cards are needed in the building of your credit! Yet you must pay them on time every month. You must ensure the **minimum** payment is ALWAYS MADE, and by the due date. Being only 30 days late will cause some credit companies to report this to the Bureau, thus lowering your score. One great way to budget with credit cards is to purchase only your Auto Fuel on your card and then set aside that gas money for the monthly payment, or set up your Cable,

Utilities or Phone bills, on a Auto Pay system drawn from your credit cards, this allows for great activity to be reported on your cards. yet is not an additional expense that you didn't need or plan for. Many people find the best way to help reduce the card balances are to leave the cards at home and not even carry them.

*Do not get trapped into wanting to use the cards to build credit, thus purchasing un-needed items!*

### **Do take out an R.R.S.P. loan.**

This is a great way to build up your credit and save for your home deposit at the same time!! Often investing in the R.R.S.P.'s will also help to lower your income taxes, and this savings can then be applied to your deposit!!

One rule of thumb that should be used weekly is to put 10% of your take home pay into a saving's account. This will help you build a nest egg for a home deposit and for those rainy days when unexpected expenses do occur.



I really would love to meet you in person and help you discover how much fun it can be buying a home whether your first or your last, it can be handled almost stress free! Call me and see how it is done!!!



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*\*Information brought to you by the Mortgage Centre and Shirley Lawrence*