

## **11 SUGGESTIONS ON HOW TO IMPROVE YOUR CREDIT AND MAKE A STRONGER APPLICATION**

### **Employment**

- If an applicant is working two jobs, it should be for at least two years, it is best if it is showing for two or more years on personal taxes

### **Credit**

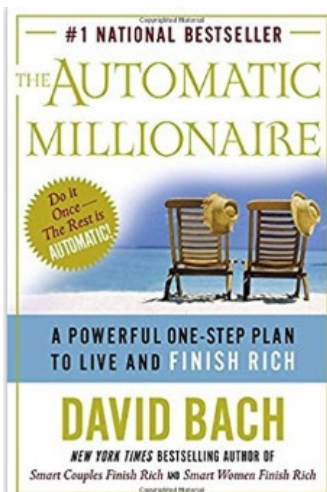
- Pay all collections/accounts that are in arrears up to date, and make sure your income taxes are filed and paid in full on time.
- Make sure you never miss a payment on anything (missed payments that occur AFTER someone enters into a bankruptcy/consumer-proposal, are looked at as especially bad).
- Also, make sure that your credit balances don't exceed 50% of what your limit is ie. if you can borrow \$1,000, don't carry a balance of more than \$500. It makes it look like you are living on borrowed funds.
- Make sure you have at least two different credit accounts with limits that are \$2,500 or more. It is best to have them used monthly (and ideally paid off in full monthly) for two straight years. Make sure at least one is revolving (ie. a credit card – whereas a car loan is an “installment” loan that just gets paid down and can't go back up). This great tip of making sure one account is revolving was brought to my attention by the writings of Paul Meredith ([see this link to his book “Beat the Bank”](#)).

### **Recovering from Bankruptcy or Consumer Proposal**

- You will need to be discharged for two (2) full years before you apply for the mortgage OR 25%+ down payment
- You will also need two (2) trade lines (ie. a line of credit, auto loan, credit card) with a limit of \$1,000-2,500 each (the higher the better, and it is recommended that you use these instruments (and pay them out in full) each month). You will need these accounts for two (2) years, since being discharged, and make sure to use them each month, because the bureau reports the number of months' that they have been used.
- You will need new trade lines, which must start AFTER your bankruptcy or consumer proposal – trade lines that you held throughout your bankruptcy or consumer proposal are not considered as “re-established” credit.
- If your bankruptcy or consumer proposal had a property involved (ie. foreclosure), then you will likely need to use a “B” lender, which requires a minimum 20% down payment.

### **Down Payment**

- Down payment should be from one's own resources/savings (gifts/down payment from co-signers are not seen as good as one's own savings – but gifted down payments can be used in some cases)
- If you're having trouble saving a down payment, start by putting \$50 or even just \$25 into a separate bank account each month. Have your bank set it up on auto deposit. If you have been renting and haven't owned a home in several years you may want to put these funds into an RRSP ([See this link](#) for first time home buyers' programs - scroll down to the “Home Buyer's Plan” – you may be eligible to put money into your RRSP and then borrow up to \$35k from your RRSP, to be used as a down payment).



You may also find this book interesting, I read it, it was quite good and not dry to read.

Thanks!



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