

## Credit Blunders

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One of the items that a lender will evaluate when considering a prospective client for a mortgage is their credit. Having good credit is crucial and yet when I ask my clients about how good their credit rating is, they typically don't know. Canadians should review their credit at least once a year and can do this for free by contacting Equifax Canada.

Obtaining a good credit rating is fairly straight forward – pay any outstanding debts on time, even if it is just the minimum monthly payment. However, there are a few other credit related rules that clients should be aware of to maintain good credit.

### 1) Too many credit inquiries.

This is a bit of a myth sometimes used by credit providers to stop clients from talking with the competition. Only Equifax knows for sure, but from what I have seen you can have multiple credit inquiries, without any negative impact, as long as the inquiries are spaced apart. So an inquiry today, one a month from now and then another a few months later will not have an impact. The impact comes when you have too many inquiries in a short period of time. For example, you buy a car from a car dealer that doesn't self-finance. The dealer will send your finance application to four or five lenders all in the same day and they all pull your credit history at the same time. This will have a huge negative impact on your credit score.

### 2) Balance over limit

All credit debts have an upper limit. It is possible on your credit cards to go above this limit. When this happens it has a negative impact on your credit score. I have been told that you should keep your debts at no more than 75 percent of their limit to ensure a great credit score.

### 3) Collections

Sometimes you are charged for a debt that you have an issue with such as a phone or utility bill. You refuse to pay it until the supplier does something for you. Don't do this! The supplier registers it as a collection on your credit and down goes your credit score.

Even after you pay the debt, the impact of the collection lasts for years. Not worth it. Pay the debt and fight it out afterwards.

There are other actions that will affect your credit score but these are the most common. If you ever have any questions about your credit or credit in general, please contact me.