



# Scott Brown

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## CREDIT SCORES

### HOW THEY ARE FORMULATED

I know we all have a fairly good idea as to how Beacon Scores are formulated but I found this very self explanatory; and thought this may be useful as a reminder and also to review credit with clients and show them how their actions impact their credit scores.

#### Component Weighting Notes

##### **Payment History – 35%**

Factors in the recency of, and number of, payments over 30 days late, collections, judgments, and bankruptcies. A single 30-day late payment can drop your score 15-20 points.

##### **Current Debts – 30%**

Considers how much you currently owe (in absolute terms and compared with your credit limits), how many creditors you owe money to, and how much you could owe if you maxed all your available credit.

##### **Age of Accounts – 15%**

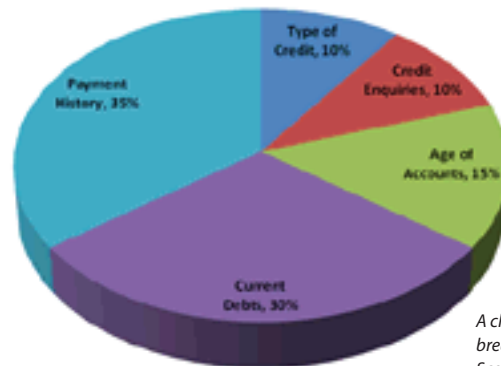
The longer your accounts have been opened the better. You generally need at least three accounts over one year old.

##### **Type of Credit – 10%**

Bank loans, credit cards, and revolving credit accounts all impact you differently.

##### **Credit Enquiries – 10%**

Numerous credit applications in the past 12 months is a no no. **This is a big benefit of mortgage brokers**, who pull your credit only once for multiple lenders.



A chart showing a visual breakdown of how Beacon Scores are formulated.

#### TOP BEACON SCORE KILLERS

Besides the obvious (bankruptcies, judgments, etc.) the top Beacon killers are:

- Payments over 30-days late
- Maxing out credit cards (i.e. using over 75-80% of a high credit limit)

If you have a lot of maxed out cards, bring them at least below 50% of the limit (below 30% is best). Your credit score can jump considerably in as little as a month.

**RATE PROMO:** 5 year variable at 4.00%

**HLC TIP:** Get your client's pre-approved to avoid the financing clause on the offer.