

THE CREDIT GUIDE

UNDERSTAND • IMPROVE • PROTECT

Simple advice to prepare for your next mortgage financing

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WELCOME

Your credit, explained simply

Your credit file plays an important role in your financial life. It can affect your ability to obtain a credit card, finance a vehicle, purchase a property, or refinance a mortgage.

The good news is that your credit file is not permanent. By understanding what affects your score and adopting good habits, you can gradually improve your profile.

The purpose of this guide

To understand your credit, avoid the most costly mistakes, and put yourself in a stronger position when it is time to apply for financing.

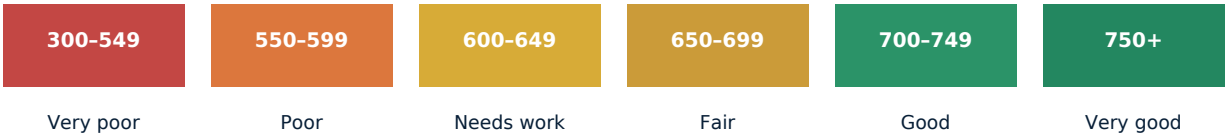
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SECTION 01

Understanding your credit score

Your credit score is a number that represents the overall quality of your credit profile. It helps lenders assess risk when reviewing a financing application.



Your score is not the only factor that matters. A lender may also review your payment history, balances, available limits, length of credit history, and any negative events in your file.

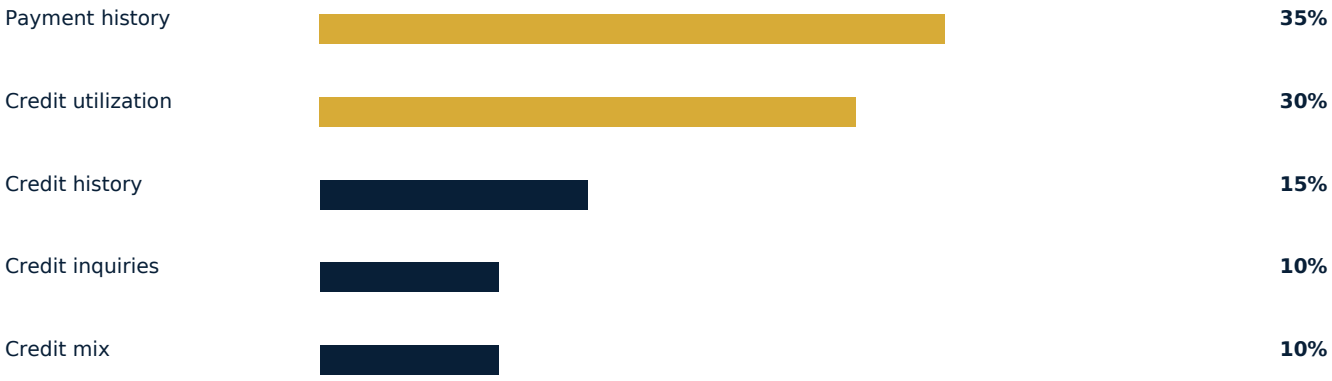
Key takeaway

A good score helps, but a strong credit file is built primarily on good habits maintained over time.

SECTION 02

The 5 factors that affect your score

Your score is primarily influenced by five categories. Some carry considerably more weight than others.



Payment history - 35%. Paying your obligations on time is essential. A payment more than 30 days late may remain on your file for several years.

Credit utilization - 30%. The closer your cards and lines of credit are to their limits, the more they may affect your profile.

Credit history - 15%. A well-managed account that has been open for several years can contribute positively.

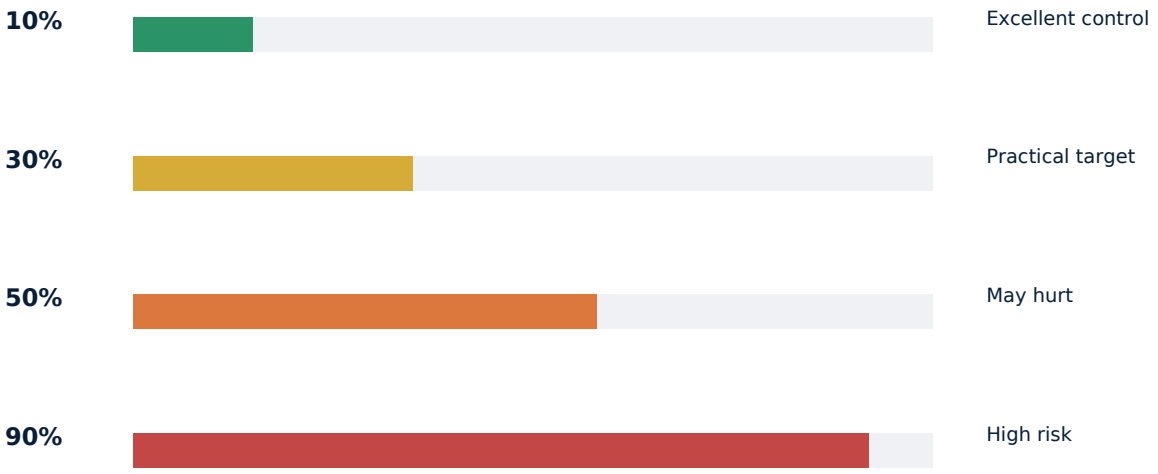
New inquiries - 10%. Several inquiries close together can suggest that you are trying to borrow quickly.

Credit mix - 10%. Your ability to manage different types of credit may also be considered.

SECTION 03

Credit utilization: the number to watch

Your utilization rate is the amount you have used compared with your available limit. It is one of the easiest credit factors to monitor and improve.



Example

With a $5,000 limit, a $1,500 balance represents 30% utilization. A $4,500 balance represents 90%.

Even if you pay your card in full each month, a high balance when information is reported to the credit bureau can affect your score. Also avoid exceeding your limits.

Practical tip: whenever possible, try to keep your balances below 30% of your available limits.

SECTION 04

How to read R1 to R9 ratings

The letter generally indicates the type of credit: R for a credit card or line of credit, I for an instalment loan, and M for a mortgage.

Rating	Simplified meaning
R1	Up to date / less than 30 days
R2	30 to 60 days late
R3	60 to 90 days late
R4	90 to 120 days late
R5	More than 120 days late, debt not written off
R7	Account paid after court order / proposal
R8	Repossession
R9	Bad debt, collection, or bankruptcy

Key takeaway

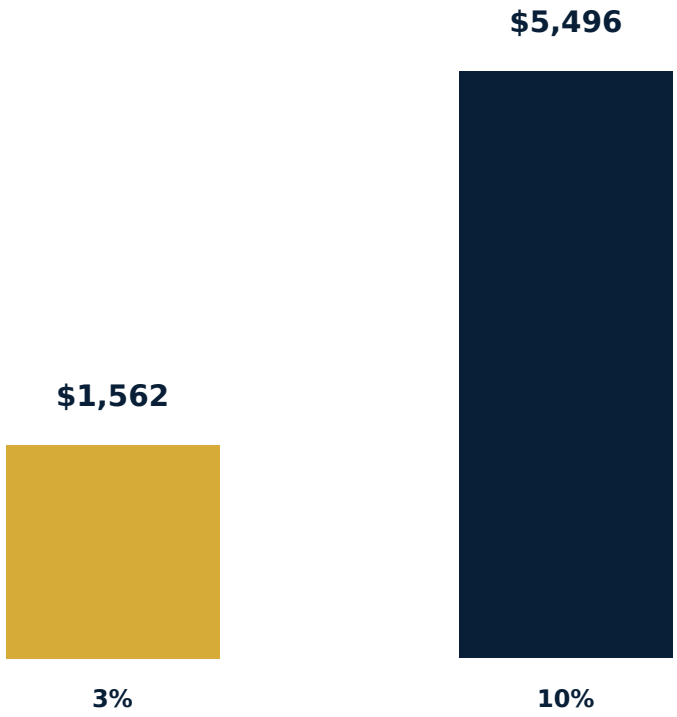
The higher the number attached to an account, the more serious the reported delay or event. Aim for a recent history of on-time payments.

SECTION 05

Why poor credit costs more

A weaker credit file generally represents greater risk. Financing may be declined or offered with a higher rate, additional fees, or stricter conditions.

EXAMPLE: $20,000 AUTO LOAN OVER 60 MONTHS



A $3,934 difference

In this example, the financing cost rises from $1,562 to $5,496 solely because of the interest rate.

What about a mortgage?

A mortgage represents a much larger amount. A difference in rate or additional fees can therefore add up to several thousand dollars.

SECTION 06

Second-chance credit

When traditional financing is not available, certain solutions may provide access to financing despite a more challenging credit file.

POSSIBLE BENEFITS	POINTS TO WATCH
• Access financing despite an imperfect history	• Higher interest rates
• Demonstrate new payment habits	• Additional fees
• Use a temporary solution while rebuilding	• Stricter conditions
	• Sometimes a shorter term

The objective

A second-chance solution should ideally be temporary. The goal is to stabilize your finances and eventually qualify for better terms.

SECTION 07

Bankruptcy and consumer proposals

When a person can no longer manage their debts, these two solutions may sometimes be considered. They can have a significant impact on credit and future access to financing.

CONSUMER PROPOSAL	BANKRUPTCY
A formal arrangement with creditors, administered by a Licensed Insolvency Trustee. It may allow you to repay part or all of your debts under established terms.	A legal process administered by a Licensed Insolvency Trustee that may discharge many debts, subject to applicable rules and exceptions.

Important

Speak with a Licensed Insolvency Trustee. If you plan to buy or refinance, also ask how the decision could affect your mortgage options.

SECTION 08

12 strategies to rebuild your credit

Improving your credit mainly requires consistency. Here are twelve habits that can help.

1. Pay your bills on time. Use automatic payments or reminders.
2. Build a stable history. A well-managed account held for several years can help.
3. Keep balances low. Whenever possible, try to stay below 30% of your limits.
4. Review your credit report. Make sure all accounts and information are accurate.
5. Repay with a plan. Set priorities instead of making random payments.
6. Avoid unnecessary inquiries. Do not apply for credit simply because it is offered.

SECTION 08 - CONTINUED

The habits that make a difference

7 Manage different types of credit carefully. Never borrow solely to improve your score.

8 Manage your limits wisely. A higher limit should not become a reason to spend more.

9 Think before closing an old account. Account age is part of your history.

10 Speak with your lender before a problem occurs. Contact them before the due date.

11 Make a budget. Know what comes in, what goes out, and what can be directed to debt.

12 Think before buying. A new debt can last much longer than the pleasure of the purchase.

Consistency wins

There is no magic shortcut. Paying on time, keeping balances reasonable, and avoiding too many inquiries can make a major difference.

SECTION 09

Your debt repayment plan

Start by listing all your debts: balance, interest rate, minimum payment, and available limit.

List	Choose	Plan	Automate	Review

Avalanche method

Direct extra payments toward the debt with the highest interest rate. This method generally saves the most interest.

Snowball method

Start with the debt that has the smallest balance. Each eliminated debt creates a sense of progress and can help you stay motivated.

The best plan?

The one you can actually follow. A plan that is too aggressive and forces you to use your cards again will not help over the long term.

SECTION 10

Preparing for a mortgage application

If you plan to purchase a property or refinance your mortgage, begin preparing your credit several months before applying.

- Pay all obligations on time.
- Reduce credit card and line-of-credit balances whenever possible.
- Avoid non-essential new credit inquiries.
- Think before closing your oldest accounts.
- Review your report and correct any errors.
- Prepare an explanation for any significant negative event.

Checking your own credit file does not have the same effect as applying for new financing. It is useful to verify your information before beginning the process.

Your score is not the whole story

Credit is important, but income, debts, the down payment, and the property being financed are also part of the analysis.

SECTION 11

Credit checklist - the next 90 days

- ✓ Obtain and review my credit report.
- ✓ Identify accounts with late payments, high balances, or errors.
- ✓ Set essential payments to automatic payment or reminders.
- ✓ Gradually bring cards and lines of credit to 30% utilization or less.
- ✓ Avoid non-essential new credit inquiries.
- ✓ Choose a method: avalanche or snowball.
- ✓ Create a realistic monthly budget.
- ✓ Think before closing older, well-managed accounts.
- ✓ Contact a lender before missing a payment.
- ✓ Review my progress every month.

Planning to buy or refinance?

Before making several changes to your accounts, an analysis of your situation can help you establish the best strategy.

YOUR CREDIT CAN CHANGE

Every good decision counts.

A difficult credit file today does not mean your situation will be the same in one or two years. Every on-time payment, every reduced balance, and every thoughtful decision helps build a stronger history.

If your goal is to purchase a property or refinance, do not wait until you are ready to sign an offer before reviewing your credit. The earlier you understand your situation, the more time you have to improve it.

Let’s talk about your plans

I can help you understand your situation and determine the next steps for your mortgage plans.

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Notice: This guide is provided for informational purposes only. Credit and financing criteria may vary by lender and by each borrower’s situation. Examples are illustrative only.

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