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AskLisa.ca

UNDERSTANDING YOUR CREDIT SCORE AND WHAT IT MEANS FOR YOUR MORTGAGE

WHAT IS A CREDIT SCORE?

A credit score is a number lenders use to assess how risky it is to lend you money. It is not a judgment of you as a person. It is simply a snapshot of how you have managed credit in the past.

In Canada, credit scores typically range from 300 to 900.

A higher score generally means lower risk to a lender.

A lower score generally means higher risk.

WHAT AFFECTS YOUR CREDIT SCORE?

Your credit score is mainly influenced by:

Payment history

Do you make your payments on time? This is the most important factor.

Credit utilization

How much of your available credit are you using? High balances can lower your score even if payments are made on time.

Length of credit history

How long you have had credit accounts open.

Types of credit

A mix of credit cards, loans, or lines of credit can be helpful.

Credit inquiries

Applying for multiple loans or credit products in a short period can temporarily reduce your score.

Missed payments and high balances have a much greater impact than small details.



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CREDIT SCORE RANGES (GENERAL GUIDELINES)

760 and above

Excellent credit. Typically qualifies for the best mortgage rates and lender options.

680 to 759

Good credit. Most lenders are comfortable approving mortgages in this range.

600 to 679

Fair credit. Mortgage approval may still be possible, but options and rates may be more limited.

Below 600

Not a deal-breaker. Usually requires alternative lenders, additional planning, or time to improve credit.

Your credit score affects your mortgage options, not your worth or your future.

WHY CREDIT MATTERS FOR A MORTGAGE

Your credit score helps determine:

- Whether you qualify for a mortgage
- Which lenders will consider your application
- The interest rate you are offered
- How flexible your mortgage options are

Even a small improvement in your credit score can result in significant savings over the life of your mortgage.



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WHAT IF YOUR CREDIT ISN'T GREAT?

Many people experience credit challenges due to real-life events such as job loss, illness, divorce, missed payments, or high balances.

A lower credit score does not mean you cannot buy a home.

It usually means a different strategy is needed.

That strategy may include improving credit before purchasing, using alternative lenders, or planning a purchase timeline that works in your favour.

HOW TO CHECK YOUR CREDIT SCORE (FREE)

You can check your credit score at no cost through:

Equifax Canada

www.equifax.ca

TransUnion Canada

www.transunion.ca

Many Canadian banking apps also provide free access to your credit score.

Credit scores may vary slightly between sources. Lenders look at overall credit patterns, not just one number.

FINAL THOUGHTS

Your credit score is a financial tool.

Understanding it helps you make informed decisions and plan your mortgage with confidence.

Reviewing your credit early can save time, stress, and money when preparing for a mortgage.



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