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#### **Credit history-Priority #1**





### Credit History Did you know?





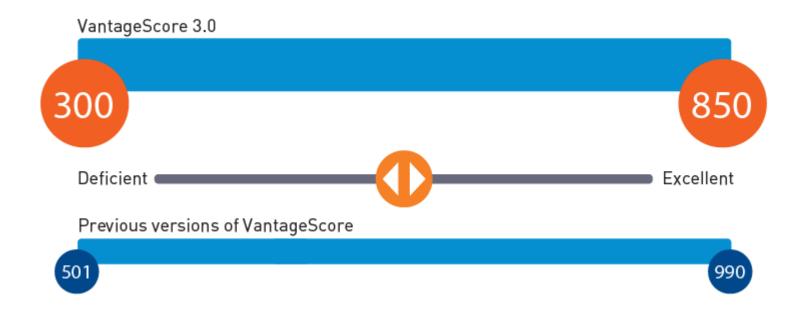
# Credit History Beacon 9 will replace Beacon 4 June 1, 2016



- New immigrant files will be more sensitive (short term)
- The new rule will reward and penalize more
- Phone bills will be considered
- Mortgage will be considered
- BIN
- If many trades, late payments would be less severe
- Shopping around is less problematic









## Have at least 2 trades, for 2 years reporting (Credit card or line of credit)

loan not recommended



Have separate credit cards

for each family member...



# Use the credit card at least, once per month



Pay minimum payments, it is very crucial

(35% of beacon score)





#### Pay at least one day before the due date

(Don't need to pay the bill before

you receive the statement)



Go over the credit card limit, try to keep the

balance below 70% of the CC limit

(30% of the beacon score)



### Close old or unused credit card accounts

(15% length of credit history)



Allow any companies like, Rogers, MTS,

Hydro... to start the collection process

(7 years history)



### Shop for different bank products, in a short amount of time





**EQUIFAX** 

Treatment of Inquiries

	BEACON 4.0	BEACON 9.0
Retention Period (How long an inquiry can affect the score)	36 months	12 months
Buffer window (How long Auto and Mortgage inquiries don't count)	30 days	30 days
De-dupe window (How long Auto and Mortgage inquiries count together as one)	14 days	45 days





Bankruptcy lasts 7 years, but public

records last forever....

### Credit History Did you know?



Payment History – 35%

Utilization - 30%

Length of Credit History – 15%

New Credit Inquiries - 10%

Credit Mix - 10%



- Delinquency scores do not say that a specific individual is a good or bad customer
- Lenders have their own unique adjudication strategies
- No magic cut-off rule
- Credit score is one factor in assessing an individuals credit worthiness

### **Credit History**

**BEACON SCORE: 719** 

AMOUNT OWED ON REVOLVING ACCOUNTS IS TOO HIGH.

LENGTH OF TIME OF ACCOUNTS HAVE BEEN ESTABLISHED.

PROPORTION OF BALANCES TO CREDIT LIMITS IS TOO HIGH.

BANK. NAV. INDEX 2 SCORE: 864 (predicting bankruptcy, bad below 900)

NUMBER OF REVOLVING TRADES WITH HIGH UTILIZATION.

NUMBER OF NATIONAL CARD TRADES WITH HIGH UTILIZATION.

NUMBER OF TRADES WITH HIGH UTILIZATION.

THICK PRIME CREDIT FILE SCORECARD.

CRP 3.0 SCORE: 724 (prediction for the next 24 month, 90 days late)

AVERAGE UTILIZATION FOR OPEN REVOLVING TRADES.

TOTAL BALANCE FOR OPEN NATIONAL CARD TRADES.

UTILIZATION FOR OPEN TRADES.

THICK PRIME CREDIT FILE

ERS 2.0 SCORE: 662 (clients score)

BALANCE TO HIGH CREDIT ON NATIONAL CREDIT CARDS.

NUMBER OF NATIONAL CREDIT CARD TC WITH UTILIZATION 75-99% OF

NUMBER OF REVOLVING TRADES WITH UTILIZATION GREATER EQUAL 75%

CLEAN, MATURE AND VERY THICK.

John Public: SINCE 11/25/05 FAD 12/02/13 Address #1 WINNIPEG,MB 3L1P5,TAPE PTD 12/13



### Credit History Did you know?



It is better not to have any credit history/score, than a bad one!

### **Credit Cards Traps**





## Credit Cards Did You Know?



## Nobody becomes rich by earning Air Miles and points



### Credit Card Cash Advance





- Credit card interest rates are 21.99% for cash advances plus elated fees...
- Interest paid from the day of cash withdrawal (even if paid in full on due date)
- Need to repay the cash in full (full credit card balance) to stop interest payments

#### Did you know?





- If not, the interest rate is around 20%
- One of four people will not be able to pay them off after the term.
- There are some exceptions (Construction clients)

## Credit Cards Did You Know?



#### **CREDIT CARD FULL PAYMENT RULE**







Credit card payments are applied from lowest to highest of interest balance



### Credit Card grace period



Pay at least one day before the due date...



## Credit Cards Did you know?



#### Attention:

The "Balance Due" is the amount you need to pay in order to avoid interest charges on purchases appearing on this statement for the first time. The "Minimum Due" is the minimum amount you need to pay to avoid your account going into default.

#### **ACCOUNT CREDITS**

Re	f. Trans.	Post	Transactions	
1	Dec 28	Dec 29	SPRING #3096 WINNIPEG MB	-19.77
2	Jan 05	Jan 06	CDN TIRE STORE #00203 STEINBACH MB	-31.63
3	Jan 13	Jan 14	COSTCO WHOLESALE W549 WINNIPEG MB	-14.68
4	Jan 13	Jan 14	SPRING #3096 WINNIPEG MB	-23.72
5	Jan 13	Jan 15	Payment- Thank you	-6,683.94
6	Jan 19	Jan 20	WINNERS 444 STEINBACH MB	-150.29
7	Jan 19	Jan 20	WINNERS 444 STEINBACH MB	-7.90
8	Jan 21	Jan 22	2 REAL CDN SUPERSTORE #1 WINNIPEG MB	

 Credit Limit
 18,800.00

 Less New Balance
 10,205.08

 Available Credit
 8,594.92

#### Questions?

For customer service, or to report a lost or stolen card, call 1-800-459-6415

#### My Canadian Tire ¹Money¹™ Account as of January 25, 2016

Total e-CT 'Money'	\$108.40
e-CT 'Money' Redeemed	-\$64.91
Adjustments/Returns	\$45.28
Bonus e-CT 'Money'	\$8.74
New e-CT 'Money'	\$107.86
Previous e-CT 'Money'	\$11.43

Paying with your Options
World MasterCard is the fastest
way to collect your
Canadian Tire 'Money' rewards,
inside and outside Canadian Tire.
Use your card for everything
from sports equipment and hardware

### Please guess...



"How many years do you need to pay off a credit card by paying only the minimum payments?"

## Credit cards Did you know?



#### Continued on next page

Transaction Type	e Annua	I Interest Rate	Daily Rate	Charges
Purchases		13.99%	0.03822%	\$ 0.00
Cash Advance	Fees	16.99%	0.04642%	\$ 0.00
			Tota	\$ 0.00

Repayment Calculation: If you make only the minimum payment required each month, it will take approximately 85 year(s) and 1 month(s) to repay the balance shown on this statement.





Detach this portion and enclose it with your cheque made payable to **Options World MasterCard**. Write your account number on your cheque.





What should you do

If you can't control your spending of

more than one credit card?

### **Credit Card problems**









Credit card fees and rates are negotiable





nationalpost.com

financial post.com

Today's Paper

Delivery

Contact

Digital Paper

Sign in | Regi

### FINANCIAL POST



#### **OSFI**

#### OSFI lays out finalized mortgage rules; brokers not so happy



Canada's banking regulator announced finalized guidelines for mortgage lending that along with other measures unveiled today by Finance Minister Jim Flaherty are aimed at cooling the country's frothy housing market

#### Former OSFI employee dies in Nigeria plane crash

The Office of the Superintendent of Financial Institutions has confirmed that a former staffer was among those killed when a passenger plane crashed on the outskirts of Lagos, Nigeria

#### OSFI relents on tougher HELOC rule



Canada's federal banking regulator is backing away from a proposed rule that would force banks to amortize loans secured by real estate

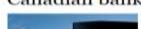
#### Canadian banks not immune to housing bubble: OSFI official

Canada's banks, ranked the soundest on the planet by the World Economic Forum, aren't immune to collapses triggered by falling housing prices.



#### Most Popular

- Touchscreen Blackberrys will feature 'best' virtual keyboard: RIM
- RBC, TD, Scotiabank, BMO, CIBC and National Bank feel the squeeze



#### Everything you need to open new doors

This information provides product highlights on CMHC's Mortgage Loan Insurance products. Any requirements that are described would be subject to CMHC's mortgage insurance terms and conditions and underwriting policies. Products and their terms and conditions may change at any time.

© 2012, Canada Mortgage and Housing Corporation.







Loan-to-Value	Premium on Total Loan	Premium on Increase to Loan Amount for Portability and Refinance
Up to and including 65%	0.60%	0.60%
Up to and including 75%	0.75%	2.60%
Up to and including 80%	1.25%	3.15%
Up to and including 85%	1.80%	4.00%*
Up to and including 90%	2.40%	4.90%*
Up to and including 95%	3.60%	5.65%*
90.01% to 95% — Non-Traditional Down Payment**	3.85%	*

### **Credit score is important!**

**Quality?** 

Beacon Score

Down **Payment** 

0%

5%

5%

10%

15%













#### 5% Down Payment Options

- Purchase of an owner occupied properties
- You need to have a legal resident status (PR or work permit)
- Lived 12 months in Canada
- Minimum 3 months on the job
- Minimum 5% down payment (own or gifted)
- Minimum 1,5% -2% additional funds to cover legal costs
   (AB)
- 12 months rent payment history
- 12 months utility payments history (Rogers, MTS, Hydro...)

## 10% Down Payment Options



- Minimum 6 months in Canada
- Maximum 5 years in Canada
- Six months account statements or reference letter from the country of origin
- Minimum 3 month employment

### **Mortgage Options**

**Fixed Rate** 



**Variable Rate** 



Home Equity Line of Credit







### **Variable Rate**





Usually lower compared to the fixed rate



Low penalties – not everywhere!



Risk of the rate increases; payment increases (1992)



Higher Qualifying Rate (4.64%)



### **Fixed Rate**



### Usually 1 to 10 years.

- In most cases very high penalties
- No flactuations in monthly payments
- Good for your nerves

### **Lender Options**



Banks: RBC/TD/BMO/CIBC/Scotia....

Credit Unions: CIVIC/SCU/ ACU Credit Unions...

(Mono-Line Lenders) PC/Merix/ING...

Trust/Private lenders: Equitable Bank/Home Trust...

### Our lender partners















### Secrets of mortgage penalties



All lenders have a penalty, what sets them apart is how it is calculated

Minimum 3 month interest rate or interest rate differential (IRD)



### **Merix Mortgage Rates**



### MERIX

1 Year	2.29%
2 Year	2.29%
3 Year	2.34%
4 Year	2.54%
5 Year	2.79%



### **Low penalty Lenders**



•	Mortgage balance:	\$200,000.00
•	Mortgage interest rate:	3.50%
•	Original mortgage term:	5 Years
•	Remaining mortgage term:	3 Years
•	Today's 32 years mortgage rates:	2.89%
•	Interest rate difference: -2.89)	0.61% (3.50
•	\$200,000.00 (Current Mtg) x 0.61% (IRD) = year	\$1,220,00 per
•	\$1,220.00 x 3 remaining years	\$3,660,00

The banks we prefer to do business with would charge \$3,660,00

The IRD has more than 3 month interest rates

### Bank #1 Mortgage Rates

### Fixed Mortgage Rates(21)

Term	Posted Rate	Special Offers
Convertible		
6 Month	3.140%	<u>Call for details</u>
Closed		
1 Year	3.140%	Call for details
2 Year	3.040%	Call for details
3 Year	3.650%	Call for details
4 Year	4.390%	2.590%
5 Year	4.640%	2.840%





### Banks IRD Penalty RBC/CIBC/BMO/TD/Scotia



\$15,660,00

\$15,660,00

### "THE BIG 6 BANKS"

**\$5,220.00** x 3 remaining years

Penalty with one of the major banks will be:

•	Mortgage balance:	\$200,000.00
•	Mortgage interest rate:	3.50%
•	Posted rate at the time of application	5.50%
•	Original mortgage term:	5 Years
•	Remaining mortgage term:	3 Years
•	Today's 32 years mortgage rates:	2.89%
•	IRD best rates to best rates	0.61% (3.50 - 2.89)
•	IRD best rates to POSTED RATES	2.61% (5.50 - 2.89)
•	\$200,000.00 (Current Mtg) * 2.61% (IRD +discoun	t) \$5,220,00 per year



# The difference in penalty is \$12,000,00

In case you are forced to sell your property due to sickness, job loss, divorce, the penalty will add to your financial difficulties.

### **Website for Bank Penalties**

Hy-calculators.html?goback=.gde\_4589692\_member\_209624172



### News That Affects Your Mortgage

### CANADIAN MORTGAGES

News on Canadian mortgage rates, mortgage brokers in Canada, banks, and fresh new mortgages.

Send Us Mortgage News

### MTG RATES VS. BONDS



### KEY INTEREST RATES

Oualifying Rate 5.24% Prime Rate 3.00% Next BOC Mtg. Mar 6



### CHIT IN THE NEWS...

Media & Internet Coverage

= Penalty Avoidance | Main | 02 2012 Market Share; Broker Lenders =

September 17, 2012

### **Penalty Calculators**

While we're on a mortgage penalty theme, here are links to the newest prepayment charge calculators from the top banks:

- Bank of Montreal
- · CIBC
- · HSBC
- . ING Direct
- Laurentian Bank
- National Bank of Canada
- Manulife Bank
- Royal Bank
- · Scotiabank
- TD Canada Trust

These calculators were inspired by this worthy initiative from the Department of Finance.

If you play around with them, you'll notice something. The penalties vary wildly.

In fact, after making some standard assumptions\*, we calculated hypothetical penalties with each of the above calculators. There wasn't even one instance where two lenders had the same penalty.

The results ranged from 3-month interest charges under \$1,000 to IRD penalties of more than \$4,000. The large banks were generally the most expensive.



In short, this underlines (again) the significance of looking deeper than just the

### EDITORS

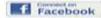


Melanie & Rob McLister

Mortgage Question? Contact Us

MERIX Financial





### RECENT COMMENTS

L5 on TD's Responds About Its Collateral Mortgages

JT on Title Insurance Tidbits

Kevin on More Young Buyers Being Sidelined

Abefeh Stirafhan on TD Takes Heat for its Collateral Mortgages

Brigarden on TD Takes Heat for its Collateral Mortgages

Mytwocents on TD Takes Heat for its Collateral Mortgages

Chris on TD Takes Heat for its Collateral Mortgages

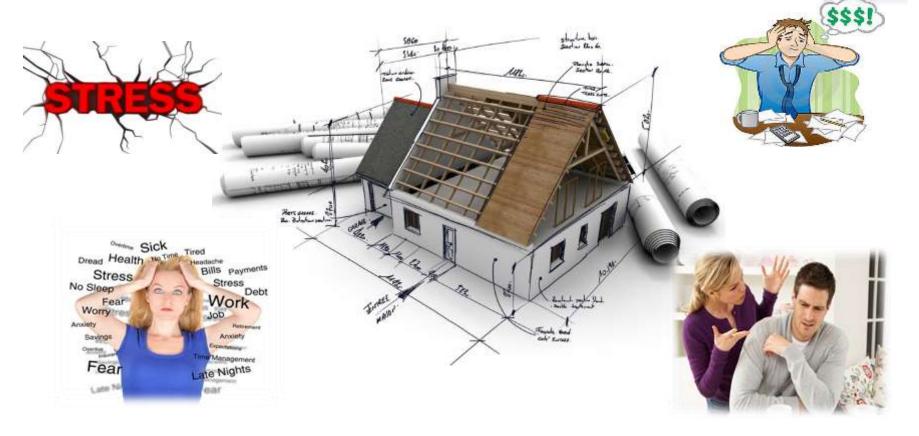
Linds on The Smith Maneuver

### SHARCH

\_\_\_\_\_



Are you really ready to build a house?



- 10 "Do Not" Rules for Construction!
- 1. Change, quit your job, or become self-employed!
- 2. Buy a car, truck, or a van! (You may be living in it)
- 3. Max out your credit cards or line of credit!
- 4. Spend money you set aside for closing cost (ca. 2%)!
- 5. Apply for additional credit cards, loan or LOC
- 6. Buy furniture and apply for a loan
- 7. Allow anyone to access your credit bureau
- 8. Make large deposits before talking to us
- 9. Change bank or Credit Union accounts
- 10. Co-Sign for a loan or line of credit for anyone

### Some insurance companies we do business with

























THE









- Bank and Credit Union option:
  - Insurance amount is based on mortgage amount
- Licensed insurance agent option:
  - Clients are choosing the Insurance amount

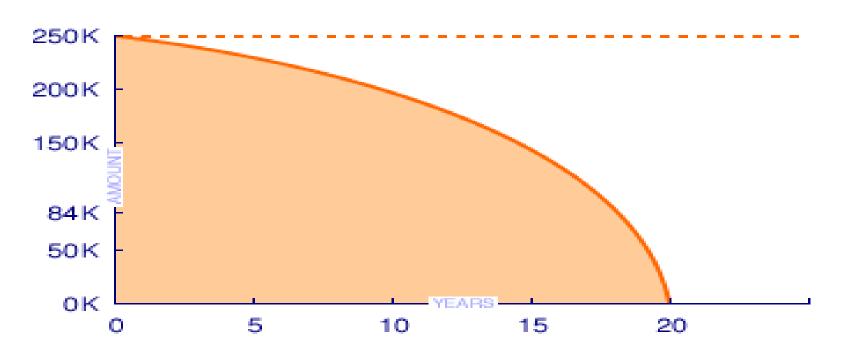


- Bank and Credit Union option:
  - **Decreasing Insurance amount**
- Licensed insurance agent option:
  - Insurance amount remains the same

### Mortgage/Term Insurance



Decreasing Mortgage vs. Level 20 Year Mortgage



Level 20 Year term — Decreasing Mortgage



Bank and Credit Union option:

Joint first to die coverage (one coverage)

Licensed insurance agent option:

Separate coverage for each family member



- Bank and Credit Union option:
- In the event of the bank or CU change, cancelation of insurance
- Licensed insurance agent option:
- If changing banks, selling your house, coverage remains the same



Bank and Credit Union option:

Mortgage insurance expires usually at age 65-70

Licensed insurance agent option:

Term Insurance expires at age 80 (up to age 100)



Bank and Credit Union option:

No conversion options to permanent insurance

Licensed insurance agent option:

Renewable and convertible to permanent options



- Bank and Credit Union option:
- Medical questions every time you re-apply
- for insurance
- Licensed insurance agent option:
- No medicals requires in the future



- Bank and Credit Union option:
- Only one insurance option
- Licensed insurance agent option:
- Client can pick options from multiple companies



Bank and Credit Union option:

Post-claim underwriting

Licensed insurance agent option:

Upfront underwriting, coverage from day one



# KNOWLEDGE IS OF NO VALUE UNLESS YOU PUT IT INTO PRACTICE.

**Anton Chekhov** 

### Thanks for attending the seminar!

For more information please join us on Social Media





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