



DENTAL & MEDICAL

FINANCIAL SERVICES

Dental & Medical Financial Services

1 Market Square, Horsham,
West Sussex RH12 1EU

T: 01403 780 770

F: 01403 780 771

E: info@dentalandmedical.com

W: www.dentalandmedical.com

Getting a mortgage with bad credit

Obtaining a mortgage becomes more challenging and costly

When individuals mention having bad credit, they often refer to a low credit score or negative entries on their credit report. These factors can make obtaining a mortgage more challenging and costly. Reasons for a poor credit rating may include late or missed payments, county court judgments (CCJs), or numerous credit applications within a short period.

Additionally, if you've never borrowed money before, your lack of credit history could result in a low credit score. So when applying for a mortgage, your credit score is one of the key factors that lenders consider. A low credit score can make it difficult to secure a mortgage, and even if you are approved, it could mean higher interest rates and less favourable terms.

Tips for improving a low credit score

Late or missed payments on your credit report can be particularly concerning to lenders. However, the impact of these markers decreases over time and they will eventually be removed from your report after six years. Some lenders may still consider applicants with missed payments from several years ago, so it may be worth waiting before applying for a mortgage.

Before starting the application process, it's important to review your credit report for any errors and take steps to improve your score if necessary. Don't just focus on your score, you should also check the entire report for accuracy and dispute any incorrect information with the relevant credit reference agency. Many agencies also offer tips for improving a low credit score.

'Association' section of your credit report

If you have a bad credit score and are looking to get a mortgage, your mortgage adviser will be able to suggest lenders with more lenient criteria that may accept your application. It's best to avoid making multiple applications as this could damage your credit score. Make sure you choose a credit broker who only charges you if your application is successful.

If you are considering applying for a joint mortgage with someone who has bad credit, it is important to know that their credit rating could potentially affect yours. This includes joint accounts, loans or credit cards that you share with them. It is recommended that you check the 'association' section of your credit report to understand how their bad credit may impact your overall score.

It's worth noting that if one person in the partnership has bad credit, it could result in a higher interest rate on the mortgage, a larger deposit required or even being turned down completely. Lenders will want to assess your financial position as a couple, especially if you are married.

Commitments could impact affordability

When purchasing a shared ownership property, your monthly payment is divided between the mortgage and rent paid to the housing association that owns part of the property. Lenders may be more willing to accept you as you're only applying for a smaller mortgage (25% to 75% of the purchase price). However, this isn't always the case as your current credit commitments could impact affordability.

If your application is accepted, improving your credit score could

allow you to remortgage for a larger share or even the property's full value through 'staircasing'.

Best to act sooner rather than later

When preparing for a mortgage or remortgage, improving your credit score can make a big difference. Keep in mind that positive changes may take up to six months to reflect on your credit report, so it's best to act sooner rather than later.

Increase your chances of approval

To prepare for a mortgage application, it's important to keep in mind that lenders consider more than just your credit score or report. Lenders also assess your monthly expenses before approving your application and may request several months' worth of bank statements to verify that you can afford your payments.

To increase your chances of approval, it's wise to pay off debts, reduce spending and avoid opening new lines of credit or using overdrafts. This demonstrates financial responsibility to potential lenders and may even improve your credit score in the long run. ■

Less than perfect credit history?

If you have been turned down elsewhere, or have had issues in the past with your credit or with your employment or self-employment status, we will take the time to understand what you want to achieve and what your needs are, and then take a common-sense approach to finding the right solution. To discuss your options, please contact us.