



HOW TO GET A  
**MORTGAGE**  
WITH  
**BAD CREDIT**

**ISSUE 01**

MORTGAGE BROKERS

# How to get a mortgage with bad credit



When you've been advised that you are not able to get a mortgage, you would be forgiven in feeling frustrated and disappointed. For many, this is a complicated and stressful process, and if you have had money troubles in the past, or just do not have a credit history at all, there is a strong chance that high street lenders may turn you down. This is because they do not look at each applicant in the right detail and really take the time to understand what their requirements are.

The popularity of "*Bad Credit Mortgages*" has grown significantly over the last 3-4 years as many people realise that having black marks on their credit history does not have to stop them from obtaining a mortgage.

## BUT WHERE DO YOU START?

We have prepared this guide from our expert advisers to give you the information you need to help make your mortgage (whether you're a first time buyer, or remortgaging) a reality.



## 1. CHECK YOUR CREDIT HISTORY

If a lender has declined you for a mortgage, it will likely be because what they have seen on your credit history is not to their liking. For instance, there might not be sufficient proof for them to say you will pay back the mortgage on time, or there might be too many inconsistencies with your address history. You could also have excessive credit accounts open amongst a whole host of other things. The effect is equally as frustrating.

By checking your credit history yourself, you're taking the first steps in ensuring it is accurate and up to date. In some cases, it may even be that certain parts of your credit history are incorrect. If you have the opportunity to set the record straight, it will help you get the mortgage you are looking for.

**There are many different myths around your credit rating itself and the impact it will have on you when looking for a mortgage...**



# Credit myths

HERE ARE SOME OF THE MORE COMMON ONES WE HEAR WHICH ARE FALSE:



## Addresses can be 'blacklisted' by credit agencies.

A previous resident's financial record cannot impact your own.



## Payday loans can boost your credit rating.

Far from it! All this does is show lenders that you are not as good at managing your money.



## People with similar names may impact your credit report.

Not true. Unless someone is fraudulently using your name (which is a criminal offence and you need to report it immediately) this will not impact you.



## Checking your credit rating hurts your score.

Not if you do it in the right way. Credit rating services will not impact you, neither will anything which uses a 'soft' search. If you repeatedly request credit, this is different and could affect your score.



# Credit myths

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## **Credit report is linked to earnings.**

Whilst earnings may be linked to your financial habits, how much you earn is not used by credit agencies. Paying bills on time is better for your rating than having more money and failing to keep up your payments.



## **You have to wait seven years for a better credit report.**

This is half-right, but only because certain 'black marks' on your credit history (like CCJs, IVAs, Defaults etc.) can take up to six years to be removed. However, you do not need to wait for this to happen before you can get a mortgage.



## **Getting married merges credit reports.**

Having joint accounts can impact your credit rating, but any history you have before you get married will still be your own afterwards.

## 2. CHECKING YOUR CREDIT HISTORY IS CORRECT

There are many different elements to ensuring your credit history is correct, but they can be split into the following areas;

- **Ensure your address history is correct – you do not want to have inconsistent or wrong history**
- **Check that there is no record of fraudulent activity**
- **Make sure that all outstanding/closed balances on there are accurate**

When going through this process, if you spot anything which is incorrect, be sure to get in touch with the relevant credit agency (either Equifax, Experian or Call Credit) to ensure the mistake is rectified. Incorrect details for prior credit accounts, whether it is the address, closing balance or anything else, can be covered by contacting them directly to ensure the details are changed.

A key thing to remember whilst you are taking part in the process, is to avoid numerous hard credit checks – these take place when you apply for any kind of credit agreement, utilities, mobile phone contract, store cards etc. This is critical, especially if you believe that you have a less-than-great credit rating in the past. It can make a bad situation worse.

### 3. CLOSE ANY CREDIT ACCOUNTS YOU DO NOT USE

To ensure you keep on top of any credit accounts which you may no longer owe outstanding balances on or just do not need, it is worth closing any of these open credit facility accounts. There is nothing wrong with having and using credit if it is properly managed. In fact, this enables you to demonstrate that you are capable of paying back financial commitments, and therefore a mortgage. If you have never had credit in the past, this can be equally as damaging to getting a mortgage than having credit issues.

Closing accounts you no longer use will assist in reducing your level of available credit and demonstrate a level of discipline to lenders which they like to see when running their checks. Having immediate access to existing credit even when not in active use could be enough to deter some potential lenders.



## 4. LOOK AT CREDIT BUILDER CREDIT CARDS

To some people, it may seem odd that to improve their credit report they would need to get more credit. Thinking of this another way; if you have damaged your credit history, you need to prove the ability to repair it again – a credit building card as a tool helps you do just that.

Usually a credit builder card provider is more likely to accept your application even if you have been declined for other cards. However, this comes with a lower credit limit (you can borrow less) and the cost of borrowing (the interest rate) is often more.

**This does mean you have to be careful and do the following:**



**Always pay back what you spend each month – on time.**

Not only does a higher interest rate mean that borrowing can cost you more, if you are unable to prove you can pay back regularly, you are going to cause more harm.

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## 4. LOOK AT CREDIT BUILDER CREDIT CARDS

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### **Stay within your credit limit.**

Demonstrate you can live within your means.



### **Do not withdraw cash on your credit card.**

It can cost more and demonstrates poor money management.

If you are in the position where the credit builder card provider is likely to decline your application, do not keep applying as multiple searches can make things worse.

**Taking all of the above into account, if you are able to borrow and pay back responsibly for a few months, it will improve your chances to get a mortgage. Just do not go down this road if you have any doubts on whether you can afford to pay it off.**

## 5. REGISTER ON THE ELECTORAL ROLL

This is sometimes considered another credit report myth, but it is in fact very important. Being registered to vote helps lenders and credit agencies verify your identity and also helps in fraud scoring, which is also part of the application process.

If you are unable to register to vote, an alternative is being able to prove your eligibility to live in the UK. You can send this to the main three credit agencies and this can help you get the credit you need. This does present further complications in the application process, so it's best to speak to one of our advisers to find out what this means for you.

### Register now

Do not wait for elections (local or national) to register, find your National Insurance number and start today – This can be done via the Government's website.

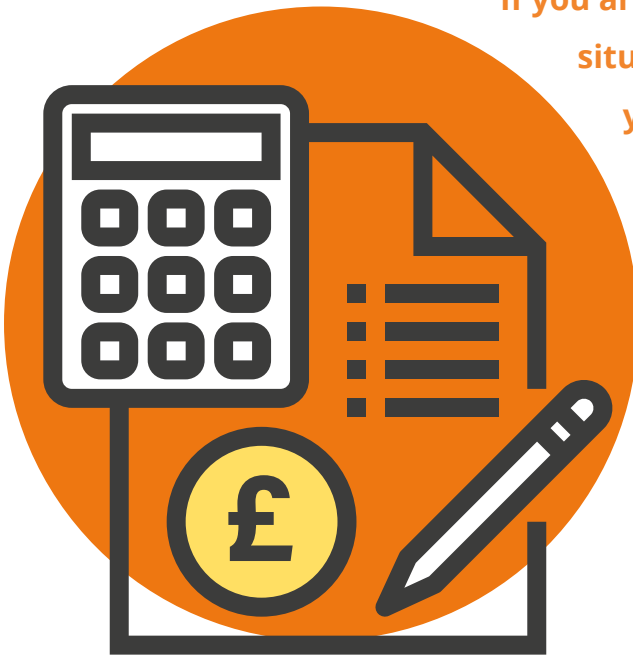
[CLICK HERE](#)



## 6. ENSURE YOU ONLY SPEND WITHIN YOUR MEANS

This has been mentioned already, but a very crucial part of this process is to make sure that each month you pay your commitments on time, whatever they are. For some this may seem obvious, but this can even extend beyond paying the minimum payments every month too.

**If you are late on payments or your situation becomes worse whilst you are trying to apply for a mortgage, it is safe to assume this will make your chances of being successful more difficult.**



## 7. SECURE A DECENT DEPOSIT – CONSIDER SAVING LONGER IF POSSIBLE

Saving more money may feel like a less desirable option if you have been saving hard for some time, or you are not in the position to do so. However the more money you can pay up front, the better rates you will be offered or alternatively, the more money you will be able to borrow.

A term you will become familiar with in this process is LTV (loan-to-value). This is the ratio of how much money you will have to borrow against the actual value of the property.





## 7. SECURE A DECENT DEPOSIT – CONSIDER SAVING LONGER IF POSSIBLE

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As a general rule, the lower your LTV, the more mortgage options you will have available to you and the better the rates you will have access to. This is all based on the level of risk you present to the lender; the more money you need to borrow in relation to the property value, the higher the risk.

However, if you only have 5–10% of the value of the property as a deposit (90–95% LTV), it can still be possible to get a mortgage. Some lenders may even consider a 100% mortgage under certain circumstances. The greater deposit you have, the better, but it does not need to limit your options.

## 8. SPEAK TO A BROKER WITH UNLIMITED ACCESS TO THE LENDERS

Most important of all is that you as a borrower are matched to the correct lender. Doing this yourself can be difficult at the best of times, but if you are looking for a bad credit mortgage, this can be even more difficult as you may need to find specialist lenders who probably cannot be found on the high street.

A broker who specialises in placing these kind of mortgages will be in a far better position to find the best lender – not only because they will know where to look, but also because they will often have access to exclusive rates or mortgages that others may not.

An additional benefit behind working with a broker is that they can generally make the application process easier by ensuring the rate you are paying is best for your circumstances and by removing a lot of the stress associated in making the arrangements.



## 8. SPEAK TO A BROKER WITH UNLIMITED ACCESS TO THE LENDERS

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We at Just Mortgage Brokers have extensive experience in finding bad credit mortgages. We take pride in finding our customers mortgages where they otherwise would have struggled.

**If you are looking for a mortgage, have been turned down elsewhere or are concerned that you may have bad credit, get in touch today.**



Still unsure?  
Try our Bad Credit  
Calculator

[CLICK HERE](#)

**CALL US TODAY**

**0808 250 6707**