



MORTGAGES



A GUIDE TO: POOR / ADVERSE CREDIT
MORTGAGES

Our Knowledge
AT YOUR SERVICE

A Guide To: Poor & Adverse Credit Mortgages - Navigating the Maze

Owning a home is a cherished dream, but for those with poor or adverse credit, the path to homeownership can seem daunting.

However, it's far from impossible! With knowledge help and preparation, we can help navigate the mortgage maze and unlock the door to your dream home.

Understanding Poor and Adverse Credit:

- **Poor credit:** A credit score below 600 generally falls under "poor credit." This typically includes missed payments, high debt-to-income ratio, and limited credit history.
- **Adverse credit:** Refers to more severe credit issues like foreclosures, bankruptcies, or past due tax liens.

Types of Mortgages for Poor/Adverse Credit:

- **FHA loans:** Backed by the Federal Housing Administration, these loans require lower credit scores (minimum 500-580) and lower down payments (3.5%).
- **VA loans:** For eligible veterans and active-duty military, VA loans offer favourable terms with no minimum credit score requirement and often no down payment needed.
- **USDA loans:** Designed for rural property purchases, USDA loans can have lenient credit requirements and often don't require a down payment.
- **Non-prime loans:** Offered by private lenders, these loans cater to borrowers with poor credit but often come with higher interest rates and stricter terms.

Qualifying for a Poor/Adverse Credit Mortgage:

- **Seek professional guidance:** Consult our team who specialises in bad credit mortgages, with access to the whole of the mortgage market we can help find you the best options that suit your requirements and help navigate the paperwork with you.
- **Gather Documents:** Organise tax returns, income statements, proof of assets, and bank statements.
- **Improve Your Credit Score:** Use our recommended service from Check My File to work out where you can help work on raising your credit score before applying. Dispute errors, pay down debt, and consider credit counselling.
- **Larger Down Payment:** A larger down payment can offset your lower credit score and make you a more attractive borrower.
- **Stable Income:** Demonstrate consistent income and employment history to build trust with lenders.

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Overcoming Challenges:

- **Higher Interest Rates:** Expect higher interest rates compared to borrowers with good credit. Consider a shorter loan term to minimize total interest paid.
- **Stricter Requirements:** Lenders may impose stricter terms like co-signers or private mortgage insurance.
- **Longer Approval Process:** Be prepared for a longer and more detailed loan approval process due to additional scrutiny.
- **Improve your Credit Score:** Before applying, it can be wise to do all you can to help improve your credit score and chances of getting your application accepted.

How can you improve your credit rating?

The best way to improve your rating is to stay on top of your finances. Try to:

- always make credit payments on time
- stick to your credit limit, and don't go over it and reduce this where possible.
- use a credit card responsibly
- get on the Electoral Register
- settle any outstanding County Court Judgments (CCJs) or credit agreement payments that you have not paid
- do a 'disassociation request' with a credit reference agency if you're no longer in a joint account or financial agreement.
- use a recommend service like Check My File to get a clear view of your credit report and send this to your PFG adviser as this will help with your application.

Things that affect your credit rating

Try not to do any of the below to keep your credit score as high as you can:

- missing or making late payments (talk to your creditor if you have honestly missed a payment and can afford to pay it)
- making too many credit applications, for example loans or credit cards, in a short space of time
- keep applying for credit if you're already in bad credit
- having joint accounts with someone with a bad credit record
- frequently withdrawing cash from your credit card
- moving house too often
- keeping unused credit cards. It's a fraud risk. Cancel them and throw away.

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Remember:

- **Seek help:** Don't hesitate to call us seeking professional guidance from a mortgage broker or financial advisor is a must as we can help navigate the issues that arise and provide the correct guidance to help get your application approved.
- **Be honest and upfront:** Don't try to hide your credit history. Explain any past issues to your adviser and demonstrate your current commitment to financial responsibility.
- **Don't despair:** Getting a mortgage with poor credit is attainable with planning and persistence.
- **Read the fine print:** Understand all loan terms and fees before committing.
- **Save where you can:** Even saving small amount or spending less on your credit card each month will look good to lenders and help prove to them and yourself that you are in control of your finances
- **Consider guarantors:** Having a family member or friend with good credit act as a guarantor can improve your chances of approval.

With dedication and proper guidance, even those with poor or adverse credit can navigate the mortgage maze and turn their dream of homeownership into reality.

Bonus Tips:

- Consider alternative housing options like renting with an option to buy or lease-to-own agreements.
- Focus on improving your credit score before re-applying for a mortgage.
- Maintain financial stability and responsible budgeting to build trust with lenders in the future.

Owning a home is within reach, even if your credit isn't perfect. By taking the right steps and utilizing the resources available, you can unlock the door to a bright future in your own home.

If you have any questions please don't hesitate to call us on 01603 750001 and speak to an adviser who will be able to answer your questions.

PLEASE NOTE: YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

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