

5 top tips for sorting out a home loan application with credit issues

Bad credit rating making it hard to get a home loan?



Lots of things can affect someone's credit history, getting sick, redundancy, divorce, forgetting to redirect bills if you move, or just an accidental slip on timing can mean late or even missed payments.

If you have credit issues from these sorts of situations there are things you can do to help your chances of buying a home.

Here are five tips to help you get back on top.

1. Get your credit report under control

The first thing you should do if you do have credit problems is get a [copy of your credit report](#) - to make sure you are aware of all the problem records you might have against your name.

Knowing exactly what's in your report means you can then make a plan to sort things out. Debts that are overdue will stay on your file for five years, but the good news is that your credit file can be updated if you pay out the balance of a debt. If you have credit issues then potential lenders will want to know what actions you've taken to address those problems, so it's best to get any defaults paid off so they can see you've made good progress.

If any information on your file is not accurate, make an immediate request to have it corrected so it doesn't continue to affect your home-buying plans. If you think there's been an error speak to the credit reporting agency and the credit provider involved to get it sorted out.

2. Shop around more

If your credit file got a no with the first lender you tried, there are others you can approach; each lender has slightly different sets of boxes to tick. So if one lender didn't look on your situation favourably, don't give up - another might well take a different view.

EXTRA HOT TIP: Shopping around is a smart thing to do, but it's important to remember that multiple credit applications in a short time frame can be bad for your credit score. So, it's best to be cautious and only apply for one type of credit at a time. Working with someone like us will help you avoid these traps.

3. Explore the world of alternative lending

If your credit history is the only thing holding you back, you might be able to get a mortgage from a non-bank lender with a more flexible lending product.

The banks tend to have very fixed home loan assessment rules. Once upon a time they were pretty much the only option. Thankfully the world has moved on and now alternative lenders like Pepper Money offer a different approach. They can consider your application on its individual merits and look at a wider range of things not a narrow set.

4. Make sure you are in a situation to afford the repayments

A non-bank lender is still responsible with their lending practices and they'll want to be sure you are in a situation to comfortably manage the repayments. Make sure you are comfortable that the proposed repayments will not be too big a stretch. No one wants you to be in hardship.

5. Look at alternatives to Lenders Mortgage Insurance (LMI)

If you're trying to buy a home with a deposit of less than 20 per cent, you're likely to find you need to pay a fee for something called Lenders Mortgage Insurance (LMI). It covers the lender if you were to miss payments down the line. LMI providers are a separate business and have their own lending rules – so they'll consider any application as carefully as the main lender. They may turn down a LMI application because of credit history or income source, even when a lender has given an approval.

A different way of doing this is rather than using a third-party mortgage insurer, some lenders – like Pepper Money – can offer a Lender Protection Fee (LPF), which gives them the flexibility to assess your loan without having to get outside approval from LMI providers.

If you'd like more information, talk to us today about how we may be able to put you in touch with a lender that can help if the major banks say 'no' to your loan application 0422 300 324

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