



## 16 ways to enhance your change of gaining a mortgage

Welcome to our helpful guide that may assist you in gaining a mortgage. It's good to have some time from deciding you would like to take out a mortgage to applying, so you can make any changes to enhance your chances.

### 1. Not all lenders will lend to you

Each lender has its own way of working and its own set of criteria it will need you to match in order to lend to you, some criteria may be obvious but some may not. If you match, then they will most likely lend to you pretty quickly. If you do not fit with it's criteria, they will probably reject your application, you will not know either way until the lender advises you.

If you are in the middle, so not the perfect fit and not a rejection it's a bit of a grey area. And this is where the lender will score you against it's personal scorecard (this is a "behind the scenes" list of questions it scores you against) some of the lender's scorecard questions/benchmarks will be:

- The size of mortgage you want
- How much you have as a deposit
- Your employment status and your income
- Your credit rating

- Your outgoings and where you spend your money (i.e. essential or non essential, committed or not etc)
- Your existing debt

If you meet the scorecard criteria, it means it is more likely to lend to you, but it's not guaranteed.

Working with a whole of market broker, like us, can enhance your chances of gaining a mortgage as they will check the criteria of each lender against your circumstances and advise you of anything further you need to do.

Working with a broker can save you time, effort and potential damage to your credit score, as they “get to know you” understanding your circumstances and financial position means they will know which lender is suited to your circumstances. Matching your criteria to that of the lender before any credit checks are completed. With all this in mind it's a good idea to work with a reputable whole of market broker and understand your financial position.

## 2. Check your credit report before the lender does

Lenders main interest is that you have the financial ability and payment history to pay back your mortgage. One way the key ways they will investigate this is by searching your credit report(s) to understand your credit history and how good you are at paying your credit agreements on time etc.

If you do not understand your credit history you should access your file as soon as you can through one of the 3 main credit reference agencies; Experien, Equifax or TransUnion (Credit Karma). Your credit report lists in detail for up to 6 years from the end of any agreement, your past or present, all credit agreements including credit cards, loans, overdrafts, mortgages, mobile phone and some utility payments.

Post GDPR in May 2018 you no longer have to pay for your credit report. Lenders use different credit reference agencies, so you won't know which they will check, so it's worth checking all of them and making sure they all reflect accuracy.

### 3. Correct credit score errors urgently

If your credit file information is wrong, you have a right to address it, either having the error corrected or, at the very least, having your say by adding a note to the file explaining any issues.

You should check if the error on your credit file is held with the other agencies too, then talking to the lender/the company the credit agreement is with. If this doesn't work and you feel you are not getting anywhere, the Financial Ombudsman could step in and order corrections (free of charge). Take their advice and follow their recommendations

### 4. Register to vote

Many people don't realise that if they are not on the electoral roll at their address, they have little chance of getting a mortgage, this is literally a dealbreaker. While you can have a perfect credit score and be the best customer, without being on the electoral roll, it is still near on impossible to get a mortgage without it. Lenders use electoral roll data in identity checks (to ensure you are who you say you are, and live where you say you live and that you're not laundering money). When you check your credit file it will say if you're on the electoral roll or not, but you can always check with your local council. Do this as quickly as you can it can take a month or longer to add you.

If you're not on it, you can [register on the electoral roll](#) free of charge. If you're not a UK or EU national and can't get on the electoral roll to vote, then you can apply to put on a notice of correction to your file, saying you have other proofs of address and ID you can offer lenders (assuming that you do).

### 5. Your ex's score can cause you problems

If you can see that you are still linked to an ex partner, write to the credit agencies and ask for a notice of 'disassociation' as soon as possible. If you're financially linked to someone else i.e. joint credit/accounts but you're now separated or no longer associated and they have any bad credit this can reflect badly on you.

Also beware as you could also still be linked to old flatmates if you had a joint bank account for bills, so it's worth checking that their credit history isn't affecting yours. If it is, ask for a notice of disassociation as soon as possible.

## 6. Manage your available credit with future lending in mind

This is all about how much credit you have available, it's the difference between your combined debit balances on your cards and bank accounts and your combined credit limits/overdraft limit. The credit agency Experian says that if you have debts, lenders prefer that they make up less than half your available credit. So, for instance if you have a combined credit limit of £10,000, they'd prefer that you use less than £5,000 of it. If you are getting too close to your available credit limits, it can seem that you're at the capacity of your finances.

Try not to suddenly lower your credit limits if you are using a good proportion of your available credit, similarly, don't have tens of thousands of pounds of available credit just because you can, new lenders rightly get nervous that you could use all your available credit suddenly and become more indebted. It's a fine balance and lenders differ on their tolerances for debt, we suggest you try and stay below 50%, if you cannot pay off your debt.

## 7. Close inactive accounts

It's maybe worth closing old inactive accounts and it's not only a potential fraud risk it could also need updating. Having said that if you're applying for a mortgage, lender favour longer, stable credit relationships, so, if you've two bank accounts, one recently opened and one you've had for years, it's probably not worth closing the older one before you put in your mortgage application as you could lose the boost this gives you in your credit score.

## 8. Pay your bills on time, every time

If you have seen your credit file you will see each lender/creditor updates your file monthly, so every time you miss a payment your credit file shows a missed payment and by how many months.

All missed payments are a negative against you on your credit file, so it's vital to keep up all repayments on ALL your outgoings.

Defaults count against you for at least a year, and they'll stay on your file for the next six years. Miss just one credit card payment and it could be the difference between getting a mortgage and not.

Here is an example of a lenders criteria for credit (June 2020)

No current adverse credit allowed.

- **Missed mortgage payments** - no more than two occurrences within the last 24 months
- **Unsecured arrears** - no more than two occurrences within the last 24 months
- **CCJs and Defaults** - Must be settled
  - 1 - 12 months - £250 total
  - 13 - 24 months - £500 total
- **IVAs/Debt Management Plans** - Must be settled for three years
- **Bankruptcies** - Must be discharged over 5 years ago

Applicants must not have credit score lower than 600, we use Experian as our credit referencing agency.

## 9. Don't apply for credit before a mortgage

If you apply for credit in the three months before you apply for your mortgage it could hinder your score and ability to be accepted. We recommend at least a six-month gap, to be safe. This is because all lenders search your credit file every time you apply for any form or credit or credit agreement. The search leaves a footprint (so others

lenders/creditors can see you have applied) on your file, even if you do not proceed with the credit.

You should note however if you have had or applied for a payday loan, some lenders will decline you for a mortgage if you've had one in the past year.

## 10. Cut back on spending before applying

Lenders will ask for a full affordability assessment about your outgoings, commitments, and dependants etc before they make any decisions. They will more often than not want to see 3 to 6 months bank statements and pay slips to verify what you've told them. This is because new rules brought in in April 2014 mean the lender must 'stress test' you to see if you have financial capacity to pay your mortgage, should interest rates rise for instance.

A lender will always examine your spending habits so it's worth tightening your belt in the months before you apply and cut out as much non-essential spending to maximise your chances of being accepted.

It's also a good idea to plan for the expense of moving and potentially stamp duty.

## 11. Stay out of your overdraft

If you're constantly using your overdraft, this could be seen as a negative by the lender as you are living close to the edge of your finances, so avoid it if possible. Some lenders won't tolerate you using your overdraft at all during the mortgage process.

## 12. If you are renting this can boost your credit score

If you pay your rent on time every time, there's a free scheme which millions of private renters and those in social housing can use to build their credit history and boost their rating.

It was launched in March 2016 by Experian and The Big Issue Group. You can opt in to the Rental Exchange Initiative which means your rental payment information is recorded in your Experian credit file and lenders can see you have consistently paid your rent on time.

### 13. Borderline deposit?

If you are on the borderline of minimum deposit required putting down a little bit more than the minimum required can boost your potential to the lender, or at the very least cut the amount of documentation it wants to see.

For example, instead of applying for a £100,000 mortgage on a £150,000 property (where the loan is 75% of the property value), apply for £112,250 rather than £112,500, if you can afford the extra £250 deposit.

All mortgages have a maximum loan-to-value (the amount you borrow compared to what the property's worth) but it's best to borrow just under this if you can.

### 14. Sort your paperwork to speed things up

Sending all the paperwork in one batch speeds up the process and helps your broker or lender. It also reduces the chances of your application being reviewed by more people.

Some lenders won't accept printed internet bank statements for example however your broker will advise you of this or your lender. So, it's best to have your bank send you originals, ask for these a few weeks in advance in case you need to wait for them to arrive.

Your broker may want to see any or all of:

- Proof of deposits (eg, savings account statements)
- ID documents (usually a passport)
- Proof of address (eg, utility bills or credit card bills)
- Your last four to six months' bank statements
- Your last three to six months' payslips
- Proof of bonuses/commission
- Your latest P60 tax form (showing income and tax paid from each tax year)
- Your last three years' accounts or tax returns

- A gift letter. If you're getting deposit help, the lender needs to know it is a gift (not a loan), and that the giver won't in any way own any of the house.

## 15. Test drive your mortgage chances

Once you've done all the steps above, your finances should be in great shape. To test this, a mortgage agreement in principle (AIP), offered by many lenders, is the acid test, which is where your broker will come in to their own. Your broker will match your criteria and go for a conditional offer saying you *may* be accepted, based on a quick check of your income and, probably, your credit file. Although it offers no guarantees and it's not compulsory, if your broker is worth their fee, like us, they will have matched you correctly and with experience will be pretty confident of your acceptance.

If you decide not to use a broker, just beware - too many of these checks in a short space of time could harm your credit rating if the lender does a credit check and marks it on your file, which they often leave a soft footprint. This could damage your mortgage application later.

## 16. Halt and take stock if you are rejected

If you're rejected your broker will advise you're not to apply again with a different lender right away. Too many applications can negatively impact your credit score. Your broker will generally be able to advise why the application was rejected so you can rectify any issues (apart from your credit file you will need to look at this, unless you have shared this with your broker in which case they will have highlighted any potential issues upfront). If you are not working with a broker, then check your credit file again. Maybe you have missed something?

At all costs, if you are not working with a broker like us avoid the rejection spiral which works like this:

- You apply
- You get rejected (sometimes falsely, it could be due to an error you are not aware of)

- You apply with another lender
- You get rejected again

We have seen this continue through 7 lenders before.... until finally you check your credit file and get the error corrected. So then:

- You apply again
- You're rejected because of too many recent 'searches' which highlights the fact you have been rejected and it goes on

If you're rejected once and you are not working with a broker then immediately go to the top of this guide and follow the steps we've set out, or you may create serious issues with your credit score as more applications mean more searches, which will compound the problem.

If you haven't missed anything and your credit file's still looking good, it could just be that the lender you applied to had its own reason for turning you down and as you don't know which lender has which criteria, It's worth asking the lender why and working with a broker like us.

## Good luck

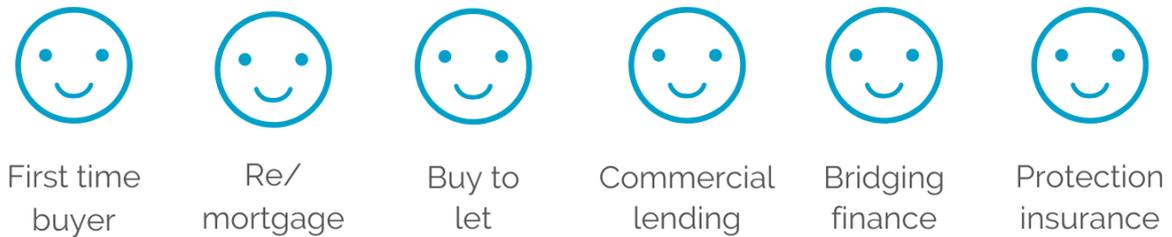
As experienced whole of market mortgage and protection brokers, If you would like any assistance with gaining your mortgage, please get in touch on 01423 561060 or email [info@sj-fs.co.uk](mailto:info@sj-fs.co.uk)

Nothing is guaranteed and our guide is just that a guide that we have put together based on our experience and how the lending market works as of writing this guide.

## Mortgage stages



## Services we offer:



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 FINANCIAL SOLUTIONS  
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