

Bad Credit Mortgages in Cobourg and Port Hope

A person's credit score is a measure of how risky it is to lend to that person, and different lenders have different risk tolerances. People with poor credit will not be able to get a mortgage with banks or trust companies as they have a low tolerance for risk. People with poor credit who are looking for a mortgage for a property in [Cobourg](#) or [Port Hope](#) can use the services of a private lender. Private lenders can be companies or individuals who invest in real estate, and many focus on serving people who have been turned away by banks.

Different Lenders Require Different Credit Scores

Lenders cater to different people according to their credit score. People with bad credit in Cobourg or Port Hope who are looking for a mortgage should consider the services of private lenders. These are individuals or companies who are willing to provide loans for bad credit clients.

Different Lenders and the Credit Scores they Require

- Banks require more than 650 points
- Trust companies need a minimum of 550
- Private lenders can lend regardless of credit score

Checking Your Credit Score

In Canada, the two largest credit bureaus are Transunion and Equifax. These companies collect your credit data and calculate credit scores. These credit bureaus can give you a copy of your personal credit score if you request in on their website. It is important to know that when a third party requests a person's credit score, the request is recorded and will decrease that person's score. When a person requests their own credit score from a credit bureau's website, there is no negative impact. Credit score is a measure of how likely a person is to pay their debts. A person who frequently does not pay bills and debts is expected to have a poor credit score.

Private Lenders for Bad Credit Mortgages in Cobourg and Port Hope

For people with bad credit who are looking for a mortgage, private lenders are usually the best option. Most [private mortgage lenders](#) will approve a mortgage based on the equity in the property and not on the borrower's income or credit score. Private lenders can take on many high risk types of clients, including people who have gone through bankruptcy or consumer proposal. Many Ontario lenders specialize in helping people who have bad credit and need a mortgage. The government sets out rules that major banks must follow when approving mortgages, but private lenders are not subject to these rules. This means that private lenders are able to help in many situations where a bank cannot.

Bad Credit Lender Mortgage Approvals

Private lenders will focus on the equity in a property when approving a mortgage instead of aspects involving the borrower. Private lenders are very careful to minimize their risk, as they lend to people who have poor credit and therefore a higher chance of not making mortgage payments. When a private lender

issues a mortgage, they must be confident that they can recover their money by selling the property. In Ontario, when a borrower fails to make their mortgage payments, a lender can use the [Power of Sale process](#) to sell the property and recover their money. In order to approve a mortgage, lenders will measure the amount of equity in a property by calculating a metric known as a Loan to Value (LTV) ratio. An LTV ratio can be calculated by dividing the total value of all mortgages on a property with the predicted selling price of the property. For example, if a property has \$800,000 in mortgages and is expected to sell for \$1,000,000 then the LTV ratio is 80%. For most lenders, if a property has an LTV ratio beyond 80% it is deemed too risky and they will not provide a mortgage.

Interest Rates and Fees Associated With Bad Credit Mortgages

In general, investors expect a higher rate of interest when making a high risk investment. For this reason, most private lenders will charge more than a bank would. A typical bank mortgage will charge an interest rate between 3% and 4% while a private lender may charge a rate between 7% and 15%. Additionally, private lenders will charge fees related to setting up the mortgage. These fees are required to pay for lawyers, home appraisals, and mortgage administrators and brokers. By comparing the rates and fees offered by different lenders, you can increase your chances of getting a good deal.

How to Increase Your Credit Score

A person's credit score should improve if they consistently pay off their debts and bills every month. Many people fall into a trap where they take on more debt than they can possibly pay. Even for people with poor credit, using credit cards in moderation and paying off all the charges is a good way to improve credit score. For a safe way of improving credit score, you can get a secured credit card at any major Canadian bank. A secured credit card requires an initial deposit which is used to pay any unpaid credit card charges. It is recommended to make more than the minimum monthly payments and to not exceed 60% of the card's credit limit. It takes most people 6 months of wise credit management to see a significant improve in credit score.