

Understanding #creditscore and how it affects the outcome of your#bondapplication?

1) Your general credit score together with your internal banking score will determine your risk rating for the bank.

2) Your general credit score will be affected by your payment profile and when you have regular late payments, your score will be affected negatively.

3) In layman's terms it means that when your retail account states the due date on the 28th of the month and you pay the account on the 29th, the bureau will already note the account as 30 days in arrears. You may think your account was paid before month end, but your payment profile will show the account in arrears.

4) It is therefore important to ensure that all your accounts are paid on or before the due date, in order to build up a track record and show the bank that you have responsibility to service not only your retail accounts, but also the bond you are applying for.

5) Regular micro loans (month to month), should be avoided, as it will create the impression that you are cash strapped. If you really have to lend, rather lend a slightly bigger amount and pay it back over a longer period. Regular micro loans, will also bring your general credit score down.

6) #Latepayments, even if your account has now been brought up to date, will affect your chances to secure a 100% bond and regular late payments, will result in a "score decline", which means that the system declines the application, before it can even reach a credit manager. The banks generally consider the past 24 months payment profile in order to establish the clients general #creditbehaviour.

7) So you need #advise on what to do, if you had some accounts in arrears during the past 24 months and your general credit score is low? * Ensure that all your accounts are brought up to date asap * Ensure that if any of your accounts were settled in full, that you send the settlement letters to #Transunion as well as #Experian and request that your credit profile is updated accordingly. * Depending on how regular the late payments on your accounts were, you may need to wait 6 to 12 months, in order to show the credit manager that you have changed your credit behaviour. * If there is a #judgement on your name, you will need to provide proof of settlement and apply for a rescission of judgement in court. * Once the #rescissionofjudgement was granted by the court, you will need to approach #Transunion and #Experian to remove the judgement of your name. As long as the judgement still reflects on your name, your application will still be declined upfront by the banks systems. It is crucial that your name is cleared, before applying to the bank. * In some cases, depending on the listing, you may have to wait a few months after the judgment was removed, in order to give your general credit score time to recover.

8) Married in community of property and your partner has the poor credit rating, even though your score is positive? Unfortunately when married#COP, you don't have the option of applying on your own and as long as one of the applicants has a poor credit rating, it will still affect the application negatively. It is important that you address your partners credit problems before applying for the home loan.

9) Clients often ask, how they can change their marriage from COP to ANC (Out of community of property). Although this is possible, it will be a High Court Application and can easily take 3 months or longer. The process will involve you giving notice to all your creditors of your intention to change the marriage from COP to ANC and there should not be any objections from their side. This can also be a costly exercise.

10) It is not only poor payment habits that will affect your credit score. Even a [#lackofaccounts](#) will result in a low credit score. The saying goes..."You need to have debt to make debt". The only way the bank can determine whether they are dealing with a responsible client or not, is to base their scoring criteria on the clients general credit behaviour and a client that does everything cash, will not have a track record, for the bank to use as an assurance that the client will not default on his/ her bond payments. In situations like these, it would normally be the clients own bank that will be his/her best option for a home loan, since the client should have built up an internal track record with his/ her own bank. Your [#internalscore](#) will be affected by returned debit orders ([#Unpaid](#)s) as well as [#unauthorised](#) overdrafts on your account. Yes the banks keep record of the amount of [#unpaid](#) debit orders on your account and this will not be viewed positively.

11) Other factors that affect the scoring of the application: [#qualifications](#), how often you [#changeemployment](#), whether your are [#FullTimeEmployed](#) or [#SelfEmployed](#), whether you are committing to a [#deposit](#) or needing a 100% Bond, the percentage of your gross income used to service the loan ([#RTI](#)) etc.

12) Did you know that every time a retailer checks your credit record, it will show as an enquiry on your name and every time an enquiry is made, it brings your general credit score down? It is important to limit the amount of enquiries on your name, as too many enquiries will affect your chances when applying for a home loan. You are entitled to draw your own credit report for free (once a year) on www.mytransunion.co.za and www.experian.co.za. When you do it yourself it will not show as an enquiry.

For more information and [#professionalassistance](#) call us on 087 151 4712 or 0116622396. www.paynelessbonds.co.za

