



Adverse Credit Policy

In considering an applicants ability to sustain mortgage and rent payments, consideration will also be given to whether the applicant has had any adverse credit. The business reason for this is that the applicants inability to manage finance commitments creates a higher risk of mortgage default and rent arrears. If there are exceptional circumstances that explain the adverse credit and evidence can be provided to corroborate, Snugbug Homes will use its discretion to decide if the reasons and evidence provided sufficiently mitigate the risk.

Applicants with outstanding/active bankruptcy, IVA's and debt relief orders cannot be offered a property due to the heightened risk of mortgage or rent arrears and/or charges being brought against the property itself. Naturally, with the aforementioned issues, there is a debt outstanding usually to multiple creditors, it would not be viewed favourably by the creditors or practitioners should an applicant use excess cash for a deposit rather than pay down creditors, hence increasing the risk of a charging order against the property.

Historic Bankruptcy, or IVA, or debt relief order, or debt management plans

When considering historic issues of any of the aforementioned adverse markers, and the applicants ability to sustain mortgage and rent payments, consideration should be given to length of time discharged being over three years and subsequent ability to manage debts since the original event. If it was registered over 6 years ago and satisfied and they have maintained a clear credit file (since the event) with no missed payments this would also be acceptable.

There should be a plausible reason for bankruptcy, IVA or debt relief order etc, for example marital breakdown or poor health. Enhanced affordability and sustainability checks should be applied alongside evidence of the applicants ability to manage a household and other financial commitments.

High Interest Rate Lenders

Snugbug Homes will not dictate which mortgage lenders buyers use. However, Snugbug Homes will seek to ensure arrangements are affordable and sustainable.

There will inevitably be a variance in mortgage interest rates and deals buyers can obtain depending on their deposit and circumstances. In some situations, applicants may only be able to obtain mortgage finance at a rate that is notably higher than average mortgage rates for shared ownership. This can be for multiple reasons including their employment situation and credit history. Whilst such applicants may be able to satisfy affordability and sustainability, the higher mortgage rate at commencement creates a vulnerability in terms of the potential greater impact of changes to base rate in the future that can create a greater risk to MSV and the purchaser in the future.

For this reason, particular attention will be given to if any mortgage rate is 2% above the average for the closest equivalent available rate – considering loan to value and length of fixed rate term, of five mainstream shared ownership lenders such as Halifax, Leeds, Nationwide, Santander and Barclays. Snugbug may decide to set a higher parameter in terms of remaining net income on the budget planner and take an overall view on whether the purchaser can proceed.

Snugbug Homes have taken the decision to be “High Risk Adverse”. This means that the following points must be adhered to:

- No CCJ's or Defaults that remain unsatisfied of any age.
- NO CCJ's or Defaults within last two years of £300 or more
- IVA's or Bankruptcy discharged 3yrs ago acceptable, or registered over 6 years ago and satisfied, with no further issues.
- Debt Management Plans paid off over 12 months ago acceptable.
- No mortgage arrears in last 12 months.
- Previous repossession over 3 years ago acceptable, providing no outstanding debt to lender and no other credit issue in last 3 years. Letter from repossession lender to confirm no outstanding debt.