

Bad Credit Consumers Could Still Access Cheap Borrowing

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June 20, 2007 (FPRC) -- Despite an increasing number of professionals aged in their 30s or 40s reported to be forced to take out a sub-prime loan, borrowers could still be able to access a competitively priced secured loan in the future it has been suggested.

According to research conducted by GMAC-RFC, about three-quarters of those with a sub-prime mortgage are aged between 35 and 54, reports the Times.

This figure was attributed to those in the age group suffering a damaged credit report due to missing credit card repayments or failing to reorganise finances after an event such a divorce.

As a result, potential borrowers were reported to be unable to access a cheap home loan and thus have to look to bad credit loans which attracts a higher rate of interest.

However, a financial expert has indicated that consistently making repayments while on a bad credit loan can help consumers repair their credit rating and get access to cheaper borrowing in the future.

James Cotton from London & Country Mortgages told the publication: "If you can make the payments for the length of the sub-prime deal, the chances are that you could have repaired your credit record sufficiently to take out a prime deal next time."

Meanwhile, Savills Private Finance spokesperson Melanie Bien suggested that those with "one or two blips, such as missed credit card payments" should still be able to get a competitively-priced secured loan.

Earlier this year, James Jones, consumer affairs manager for Experian, advised consumers who are considering applying for a bad credit loan should first obtain a copy of their credit report.

He claimed that such a document can help borrowers identify where a change in circumstances, such as redundancy or illness, has affected their ability to pay off debts - which in turn could determine what rate of interest loan lenders decide to charge.

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