

Title:

Buying A Home After Foreclosure - What To Expect

Word Count:

389

Summary:

Even though buying a home after a recent foreclosure is possible, homebuyer should not apply for a mortgage blindly. Because of your current credit standing, many lenders are ready to take advantage of you. Your options are limited. Nonetheless, this does not mean you have to accept a terrible mortgage loan.

Why Does a Foreclosure Occur?

Homes are foreclosed when a homeowner is unable to repay the mortgage. On average, mortgage payments have to be three months late befo...

Keywords:

mortgage loan, home purchase, foreclosure

Article Body:

Even though buying a home after a recent foreclosure is possible, homebuyer should not apply for a mortgage blindly. Because of your current credit standing, many lenders are ready to take advantage of you. Your options are limited. Nonetheless, this does not mean you have to accept a terrible mortgage loan.

Why Does a Foreclosure Occur?

Homes are foreclosed when a homeowner is unable to repay the mortgage. On average, mortgage payments have to be three months late before a lender begins the pre-foreclosure process. If the homeowner is able to acquire funds, the lender will stop foreclosure.

Many factors contribute to a homeowner's inability to repay a mortgage loan. For starters, living beyond one's means will make it harder to maintain regular monthly payments. Sadly, many people fall in love with a home they cannot afford.

Furthermore, some homeowners do not take into consideration utilities and other

expenses that come with owning a larger home. Acquiring excessive credit card debt may also result in less disposable income.

The Disadvantages of Buying a Home after Foreclosure

For the most part, many lenders will not approve a mortgage loan immediately following a bankruptcy. In their estimation, you are a risky applicant. If you were unable to make regular payments three months prior, the odds of a future loan defaulting are high.

Naturally, circumstances do change for the better. For example, if loss of employment or illness contributed to a foreclosure, you may be in a better position to afford a mortgage six months after a foreclosure. Still, there are disadvantages to obtaining a home so soon.

Mortgage interest rates following a foreclosure are outrageously high. Because most traditional mortgage companies will not approve your loan, you may be subjected to interest rates 3 or 4 percentage points above current rates. This will increase mortgage payments by a few hundred dollars.

Best Approach for Purchasing a Home after Foreclosure

If you are hoping to buy a home following a foreclosure, be patient. The key is to rebuild your credit. During the next 24 months, attempt to open new credit accounts, and maintain regular payments. Pay creditors on time and avoid missed payments.

Next, shop smartly for a new mortgage. Prior to accepting a mortgage offer, contact several lenders for quotes. If using the internet, you may obtain instant quotes from several lenders in minutes.