

Title:

Bad Credit History? Need A Mortgage?

Word Count:

514

Summary:

Article Summary - The current credit crunch has caused many consumers to fall into the crutches of bad debt and affordability levels for homes have fallen. So if you have a bad credit history, are there any mortgage options that are still available. The quick answer is yes, read on and find out what they are.

Keywords:

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Article Body:

Imagine this. You see that beautiful bungalow while driving past the marina. Your heart asks you to get out of the car, pay a visit to the seller and buy the house immediately. But then you realize that your wallet is not as fat as you would expect it to be. This results in you applying for a mortgage loan on your current property. Now the first question to hit your mind will be about your credit history. You must be asking yourself whether the lender will grant mortgage, keeping in mind your bad credit history. Want to know more??Well, read on to find out.

Several people face inadequacies which do not permit them to repay their loans, which results in a bad credit history. Credit history is a record of your past credit details. It also includes your non payment of debt and credit arrears. Many people, who have previously defaulted in payment of bills, have a bad credit history. Generally, lenders are not very keen on favoring borrowers with bad credit history. Also, lenders are very strict in not offering mortgages to people who have been bankrupt before. But there are some lenders who offer mortgages for people with bad credit history. This is known as a sub-prime mortgage. Bad credit loans may seem very enticing. The borrower has to give a cheque to the lender, assuring him of repayment. The interest rates associated with sub-prime mortgages are very high compared to other mortgages. While going for a subprime mortgage loan, ensure that interest rates are not too high or else they will worsen your credit condition and that is the last thing that you want. Subprime mortgage rates can range from around 7% to 13% and therefore it

is absolutely important that you are under the least obtainable interest rates. So ensure that you do your homework before approaching the broker. Due to bad credit history, lenders demand a higher down payment before procurement of the mortgage. If you are able to afford this down payment, then the monthly interest rates will be lowered, thus improving your credit history. The best way for you to obtain your subprime mortgage loan is through a mortgage broker. A broker will guide you through all the formalities that have to be completed. But there are some downsides to subprime loans as well.

Interest rates generally tend to increase as the year progresses. This proves to be a real problem for those who are just able to manage the current interest rates. An increase in rates can result in disaster, and if a large number of borrowers end up in such a position, a crunch situation is created and affordability related problems are brought out onto the forefront. Also prepayment penalties will keep you stuck to the loan for a longer time than necessary. You have to negotiate in order to obtain the least possible penalty.

The final verdict is that there are several subprime lenders and it is your job to handpick the right one by comparing interest rates. Hiring a broker is highly recommended.