

## **On the Home Front**

Weekly column by: Linda Skolnick

### **Buying a Home With Less Than Perfect Credit ?**

Perhaps in recent years, you've had financial difficulties that caused you to make a few late payments to creditors or even possibly not pay some bills at all. You may have even had to file for bankruptcy. Now your difficulties are over and you want to buy a home. Will it be possible to get a home loan with a blemished credit history? Although it may be a little harder than if you had A+ credit, the answer is yes.

One of the first things you want to do is order a credit report. There are three main credit reporting agencies: Equifax (800-685-1111), Experian (888-397-3742), and Trans Union (800-888-4213). Because not all creditors report information to the same agencies, you may want to request a report from all three. Once you have the report in hand, study it to make sure that the information is accurate. If there are discrepancies, make sure you follow the steps provided by the credit reporting agency to dispute the information and get it changed. In addition, you may want to add a consumer statement on your credit report to explain any late or non-payment to creditors.

Depending on how damaged your credit is, you may want to put off buying a home for another year. Use that time to repair your credit by paying off creditors and create a history of paying your bills on time and consistently.

When you are ready to apply for a loan, realize that your previous credit history may limit your eligibility for prime loans and low interest rates. When lenders are deciding on whether to issue a potential borrower a loan, they use various criteria in addition to payment history to evaluate the borrower such as employment, income, assets and liabilities. Based on this evaluation, borrowers are offered loans rated on a scale from A to D. The more damaged your credit history, the higher of a risk you are to lenders.

If you have a blemished credit history, you will more than likely have to get a "sub-prime" loan. These types of loans come with higher interest rates and more points. Don't assume that just because a lender offers sub-prime loans, that you will automatically be embraced. Be prepared to explain to the lender why you had credit problems and what you have done to prevent the situation from occurring in the future.

Don't feel pressured into going with the first lender willing to make a loan, doing so may cause you to pay more than you should. Get to know your mortgage market. Shop several lenders, comparing interest rates and fees to obtain the best loan. Compare loan costs line-by-line for various programs through several prospective lenders. Also keep in mind, that there may be other ways to get a lower interest rate, such as putting down a bigger down payment.

During your search for a lender, don't hesitate to solicit help from your real estate professional. Be upfront about your credit record, so that he or she can best determine financing solutions that work for you.

Remember your past financial problems don't have to stop you from experiencing the joys of homeownership. It is never too late to get back on track!