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| **Information on Obtaining a Home Loan**    When looking for a home loan, it is best to consult with a mortgage broker. Mortgage brokers generally deal with a multitude of lenders. A mortgage broker can evaluate your finances and can help you to find a lender that will fit your needs and your credit score.  There are five major credit categories that the lending industry uses to assess the credit risk of the borrower. They are the following:   1. **"A" Credit**   An "A" Borrower is one who has excellent credit. If you pay your bills and credit cards on time and you do not exceed the required monthly debt-to-income ratios you will have a high credit score and will be seen as one who has excellent credit. If the property is worth the asking price then you will be able to get your home loan.  If you exceed the required monthly debt to income ratio (36% combined debt and 28% household debt) you can still get a home loan by coming up with a larger down payment.  If you have had a late credit card payment (30-60 days late) due to illness or job transfer or other extenuating circumstances, the lender will generally still agree to take on the loan.   1. **A-minus Credit:**   A-minus credit borrowers are often allowed to allocate 50% of their income to pay for combined monthly debt (compared to the standard 36% guideline used for A credit borrowers).  Borrowers with less-than-perfect credit histories can expect to pay higher than market interest rates for their home loan.  Medical bills, including hospitalization and clinic visits, are generally disregarded by the lender. In order to stay in the "A-minus credit" state the borrower can have no more than two 30 days late payments, or one 60 days late payment on revolving or installment credit. Charge-offs, or collection accounts, of minor amounts (e.g. less than $500 in all) are acceptable.   1. **B Credit:**   B-credit borrowers are often allowed to allocate 50% of their income to pay for combined monthly debt (compared to the standard 36% guideline used for A credit borrowers).  Bankruptcy or foreclosure that had been discharged or settled previous to the 18 month time frame is allowed. However, outstanding collection accounts less than four years old must be paid.  Charge-offs, or collection accounts, which are isolated, insignificant, and less than $1,000 in all, are acceptable.  Within the last 18 months, you are allowed up to four 30 days late , or up to two 60 late days payments on revolving and installment debt. If the credit ding is an isolated incident, a 90 days late payment is allowed within the last 12 months.   1. **C Credit:**   Open collections accounts and charge-offs may not exceed $4,000 and must be paid in full. Bankruptcy or foreclosure that had been discharged or settled prior to the last 12 months is acceptable.  Within the last 12 months: No more than six 30 days late payments, three 60 days late payments, or two 90 days late payments are allowed on revolving or installment credit.   1. **D Credit:**   The borrower who has filed bankruptcy and has been discharged prior to the last six months is considered to have D credit. The ex-homeowner who had his previous home foreclosed and settled prior to the last six months is also considered be D credit. Mortgage payments cannot be longer than 90 days past due.  Continuous late payments or credit standing also categories the borrower as having D credit. Open collections accounts, charge-offs, and judgments must be paid through loan proceeds.  Major lenders in the market of credit-damaged borrowers generally lend only up to 80% of the appraised value of the home, so the borrower often has to have 20% equity or come up with a 20% down payment for a purchase. Extensive research by your mortgage broker and by you may lead you to a company that will lend you a greater percentage if that is needed by you.  There are no hard-and-fast rules of separating the borrower on the borderline between one credit category and another. There are variations between one lender to the next depending on the degree of subjectivity involved in underwriting and how much each lender wants to commit their funds.  As for proof of income, some lenders do have "Stated Income" programs, which do not require tax returns, W-2s, or pay stubs, but may require up to 6-month bank statements to verify income activity.  Even if your credit report has problems you may still get a loan for home purchase, refinance, or even cash out of your current home. As long as you can meet the specific guidelines for loan approval by a multitude of lenders specialized in the credit-damaged borrower. |