

Fixing Bad Credit for Mortgage Loans

A poor credit rating is a problem when you need to qualify for mortgage loans. You will have to pay higher interest rates, your fees may be higher, and you will get quite a few offers from predatory lenders. Rather than accept questionable mortgage loans with high interest rates and restrictive riders, wait a little while and improve your credit score. Then reapply for a mortgage, and see how much better a deal you can get.

These tips will raise your credit score and make you more appealing to lenders:

- * Lower the amount of money you currently owe. The amount of your debt payments should be 40% or less of your monthly income. You current mortgage, all your credit cards, your auto payment, and your student loans all count toward your current debt. Lenders will also consider the amount of the loan you are requesting when they calculate your debt to income ratio, so also swap out your current mortgage and swap in your prospective mortgage (or add in your prospective mortgage, if you do not have a mortgage right now) and make certain the number is still 40% or less of your income.

- * Raise the percentage of credit you have available versus the percentage of credit you have used. Lenders like to see that you have plenty of credit available and you have used relatively little of it. Improving the ratio involves not only paying down your existing debts, but getting new credit if you can. Call credit card companies with whom you have a good relationship and ask whether they will extend your credit line. If you have a credit score that will allow you to take out new credit cards, apply for a new credit card. And dont close unused accounts! Common wisdom used to say that creditors should close unused accounts, but now this tactic worsens your credit score by lowering the amount of credit you can command.

- * Examine your credit reports closely and dispute any black marks on your record that are inaccurate or incorrect. You may find that clearing up mistakes and misunderstandings will do wonders for your credit record.

- * Let time do its work. Your credit rating is partly a function of time. The longer you spend paying all your bills on time and staying out of trouble, the better your credit rating will be and the more attractive you will look when you apply for mortgage loans.

Applying for mortgage loans is hard enough with good credit. Bad credit can make it into agony. Before you go on the market for mortgage loans, clean up your credit report, improve your credit rating, and make getting a loan that much more successful and stress free for yourself. Similar pages

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