

Qualifying With Past Credit Problems

Q. I have had credit problems in the past. Will this affect my ability to obtain a mortgage loan?

A. In evaluating an application for a mortgage loan, an applicant's credit history will be considered as one element in determining the applicant's qualification for the requested loan. Negative credit histories or a lack of previous credit experience can adversely affect an applicant's ability to obtain a requested loan. More recent credit information will be weighed more heavily than older information. Also, some types of credit histories may be given greater weight than others. Generally, the applicant's previous payment history on a mortgage loan is given the greatest weight, followed by major installment accounts (such as auto loans), followed then by major credit card accounts (such as MasterCard and VISA accounts), and finally followed by minor revolving charge accounts such as departments stores and finance companies.

Q. My credit problems occurred more than three years ago. Will this affect my ability to obtain a mortgage loan?

A. In evaluating a loan application, we will look closely at information occurring in the past two years. Generally, a few late payments occurring on installment loans or credit-card accounts more than two years ago will not affect an applicant's ability to obtain maximum financing (with minimum equity or down payment) as long as the late payments were isolated and an adequate statement has been provided explaining why the credit problems occurred.

Q. I recently filed bankruptcy. Will this affect my ability to obtain a mortgage loan?

A. An applicant may be able to qualify for maximum financing with a previous bankruptcy provided that the discharge date is more than two years ago, the applicant has re-established and maintained a positive credit history on at least three accounts since the date of the bankruptcy discharge, and the applicant provides an acceptable explanation for the reason the bankruptcy was filed. Chapter 13 bankruptcy plans (which provide for a restructuring of debt and repayment of all or a portion of the debt over a 3 to 5 year period) must have been fully completed for a two year period to obtain maximum financing at the best available interest rates. However, we offer special loan programs at higher interest rates which allow more recent bankruptcies. These special programs typically require higher down payments or equity positions than our conventional loans (between 10% to 35%) depending on how recent the bankruptcy.

Q. I have very recent late payments on a prior mortgage. Will this affect my ability to obtain a mortgage loan?

A. As previously stated, mortgage payment histories are given greater weight than other types of credit information. Thus, late payments occurring on a mortgage within the past two years will typically preclude an applicant from obtaining maximum financing at the best interest rates. However, we offer special loan programs at higher interest rates which allow recent late payments on mortgages. These special programs typically require higher down payments or equity positions than our conventional loans (between 10% to 35%) depending on how recent the late payments occurred. We even have loan programs for applicants which are currently in default on a mortgage loan or which have experienced foreclosures; however, these programs typically require higher equity positions of between 20% and 35% and have interest rates which are much higher than those offered on other loan programs.

Q. How is the amount of the down payment I will be required to pay determined on these special loan programs allowing derogatory credit?

A. The amount of the down payment required for an applicant with recent derogatory credit is determined on a case-by-case basis. Generally, the more negative and more recent the derogatory information, the higher the down payment or equity position that will be required. For example, we offer a program which allows a 5% down payment which permits late payments on a mortgage occurring more than 12 months prior to the application date, and up to three 30-day late payments on other types of accounts during the preceding 24 months. With 10% down, several late payments on a mortgage occurring within the preceding 12 months and a few 30-day and 60-day late payments on other types of accounts will be permitted on these special programs with higher interest rates. Most of these programs also allow higher debt ratios than those programs at more favorable interest rates.