



What Are Bad Credit Mortgage Loans?

There are lenders out there who give what are referred to as bad credit mortgage loans, if you are experiencing financial problems, a situation that is common to many people everywhere. Possibly you recently just got divorced, lost your business, had large medical bills, or maybe you have had too many credit cards and now the balances are out of control. In all likelihood, things like this may have caused your credit rating and FICO score to drop. Sometimes setbacks happen in life, but there is hope if you still must get a mortgage to buy a home or for other reasons.

There are a number of reasons which contribute to poor credit, damaged credit or bad credit, all of them with almost the same effect as having no credit at all. When a credit check reveals a low score or a questionable credit history, it is more likely that lenders will reject your home mortgage application. So, if you cannot qualify for a regular home mortgage, bad credit mortgage loans come into play to rescue you.

There are many lenders and brokers willing to help people who want to refinance or apply for a home mortgage but do not qualify because of a poor credit history. These loans are usually more costly than regular home mortgages but you can switch to a better option when your credit and finances improve.

Buying a home involves a large disbursement so before you apply try to repair your credit first as much as you can. Although, there are companies which specialize in helping you out in this matter, never trust in organizations that promise to erase your bad credit, or create a new credit identity for you. Self help is your best aid for fixing your finances and your credit history and it is not that hard to achieve. Bad credit mortgage loans are available for those people whose credit (FICO) score is less than 650, although most banks or financial institutions will let you know that you need a sub-prime loan.

Due to the nature of their offer, most lenders are open to work with borrowers with challenged credit, to find the right mortgage and terms for them.

It is a good idea to begin to repair your credit by paying your bills on time, and reduce the number of credit cards that you carry. Remember that late payments are as bad as not paying, and have the same negative effects on your credit score. Try at all costs to avoid bankruptcy, and do not expect to receive better bad credit mortgage loans, if any, after declaring your bankruptcy. For lenders it is a somewhat risky situation in their eyes to loan out money to someone with damaged credit. Obviously, what they are worried about is whether they will get their money back in case you cannot make the monthly payments. This is one of the reasons why you will have to pay a higher interest rate and possibly abide by other rules, in this situation. But, if you have a recent track record of paying debts back on time, to credit cards or other lenders, that will certainly help.

There are a large number of resources online for both learning more about credit repair, and finding the right type of loans, according to the borrowed amount and your capability to repay your debt. Also remember that in addition to higher interest rates, some creditors may require collateral or a co-signer to secure the deal.

After doing your research for bad credit mortgage loans, either online, in the newspaper, or yellow pages, contact at least five lenders to compare their offers and get the best option within the limitations of your financial condition.

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About the author:

Ken Black is the owner of Mortgages 101, a site with information about [Bad Credit Mortgage Loans](#).

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