



Finding a Good Lender for a Bad Credit Refinance

Homeowners have a great resource at their fingertips, their home equity. Many take advantage of this wealth through home equity lines of credit (HELOCs), home equity loans, or refinance loans. Even those with poor credit can make use of these types of home loans to make use of the equity.

If you are a homeowner with built-up equity but poor credit, and are considering a refinance mortgage, you may wonder how you can find the right lender for the job. Finding a good lender can be a difficult process even if you have stellar credit, but if you have bad credit you may worry, and rightfully so, that some lenders will try to rip you off based on your credit history. The truth is that there are some unscrupulous lenders out there looking to prey on those who are desperate for funds. Yet it is also true that there are plenty of good, honest mortgage lenders who will give you a fair deal on a sub-prime refinance loan. Consider the following tips when selecting a lender for your bad credit refinance.

Assess Your Credit Situation

First of all, it is essential that you find out just how bad your credit score is. You can obtain a copy of your credit score from any of the three major credit reporting agencies, by mail or through their websites. You should be prepared to pay about \$10 each time you pull your score though. When you get a hold of your score and accompanying report, you will see a three-digit number between 300 and 800. If this number is below 620, you are considered to have poor credit.

Do not just take this information at face value. Your credit history is collected differently by all three agencies and there is definitely room for error. Check the facts in your report for accuracy. If you feel that anything has been detailed incorrectly, you can dispute it with the agencies and hopefully get it repealed. This process can take a few minutes, but it will improve your score if you win.

If you truly have bad credit because of late payments and high debt, you have to be realistic about the situation and understand that you will have to pay a higher interest rate than those with good credit. You can also expect to pay three to five extra mortgage points for a bad credit refinance.

Shop Around

You will never know if you are getting the best deal on a refinance loan unless you shop around and get quotes from several different lenders. Make sure you get a quote on both the interest rate and the fees you will be required to pay. A good lender will offer you a fair rate for your credit score and will not charge you tons in hidden fees.

When you talk with these lenders, you should ask for testimonials from other clients to get a feel for their business practices. To get a more definite idea, you should look up the lender on the Better Business Bureau to examine their business history. This will give you a good idea of their trustworthiness.



Do not despair if you are forced into the sub-prime market for your refinance loan. You can find a good, honorable lender who will offer you a fair deal. That good lender will help you make the refinance mortgage, even with the higher interest rate, the most profitable it can be for your situation.