



Can I Get a Mortgage Loan with No Credit History?

You have probably seen lots of advertisements offering home loans to those with bad credit. But what if you have no credit? Maybe you are a recent graduate from college and have had little time to build up a credit report. Maybe you went through bankruptcy years ago and have shied away from using traditional credit since then. Maybe you have immigrated to this country and since establishing legal residency you have not had enough time to build up a credit history. Whatever the reason for your lack of credit, you should know that it may still be possible for you to get a home loan!

First, you should understand the criteria mortgage lenders use in order to qualify you for a home loan. The three basic things lenders look at are your income, your credit, and your assets. Of course, they will go into much more detail and some have their own personal criteria, but these are the basics. You do not have a credit history to offer. That leaves you to prove yourself in terms of income and assets. If you want to get a home mortgage without much credit, you will need to have a good, solid income with a steady job. Most lenders will also want you to provide a sizeable down payment in this situation, in order to decrease the risk of loss to them.

Once a lender determines that you have the other necessary qualifications, he or she may allow you to use sources of "alternate credit" on your application. These might include your history of apartment or home rental payments, your payment history of monthly bills like utilities, cell phones, or health insurance. They will use this information to get a basic idea of your level of responsibility with financial obligations.

There are basically two directions you can go in order to obtain a home loan with no credit. You can try getting a subprime loan or a government-sponsored FHA (Federal Housing Authority) loan. Subprime is also the market available for those with bad credit. There are several different types of loan products that these lenders offer, including fixed and adjustable rate mortgages. The downside is that these loans will come with higher interest rates and fees than you would get with a "prime" or good credit loan. The upside is that you still get a home loan now, instead of having to wait. You can also refinance a couple years down the road into a prime loan after you have established a good credit record.

You can also try the FHA loan route. These loans are designed to help first-time home buyers as well as those with little or no money for a down payment. You can get pretty good terms on an FHA loan, but you will probably be subject to limitations on the price of the house you buy as well as income restrictions. If you are buying in a pricier market, these may not be the best choice for you.

When you are ready to buy a home, make sure you talk with lots of different lenders, including prime mortgage establishments. Different lenders may have a different variety of options to offer you. Make sure you shop around before settling for a mediocre home loan!