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Shopping Around is a Must for Subprime Mortgage Borrowers

If you are a home buyer with less than perfect credit you may think that comparison may not make much of a difference in your case. You may think that especially with the recent problems with rising foreclosures in the subprime or poor credit market and the tightening of credit, there may be less than ever out there for you in terms of loan programs and competitive rates. The truth is just the opposite: it may be more important for you to shop around for the best rates and terms on a home loan than a borrower with excellent credit. Those with great credit can expect to get pretty much the best interest rates available, with lenders offering a smaller range of terms and rates than they offer on subprime loans.

When you start looking for mortgage loan, you may talk with a mortgage broker who might try to convince you that he will do the shopping around for you. This is partially true. A mortgage broker acts as a go-between for borrowers and many different lenders. A broker has connections with several lenders that specialize in various loans. His job is to find a loan offered by one of these lenders that best meets your needs. Still, getting quotes from another mortgage broker or two could produce even better offers since other brokers work with different lenders.

Plus, even as available credit for subprime borrowers has been shrinking, there are still plenty of lenders out there with poor credit borrower programs, and with the slower housing market, lenders are eager to work with borrowers to close loans.

There are a couple things to keep in mind as you shop around and compare rates. First, as knowledge is power, knowing your credit score gives you great power of negotiation in terms of your mortgage. Borrowers can easily be cheated out of a better loan deal just because they do not realize they could be getting a better deal. You can find out your credit score for a fee from any of the three major credit reporting agencies, Experian, Equifax, or TransUnion. Once you have that three-digit number you can search online mortgage sites to see what interest rates and terms are typical of loans for those with a similar credit score. Even if you have a very poor credit score, understanding that fact beforehand and doing some research on comparable loans will give you confidence in accepting an offer from a mortgage lender.

Another factor that will help you in shopping for a the best mortgage deal is understanding that the amount of the down payment you are able to make will make a big difference in the interest rate and terms you are offered. Obviously the more you can put down, the better the deal you will get. A larger down payment signals to lenders that you are serious about your mortgage commitment and it also means they will lose less on the deal if you should happen to foreclose on the loan. So if you are able to put a sizeable amount down, realize that this is a good negotiating tool even in the subprime industry!