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Post-Bankruptcy Home-Owning

If you have filed for bankruptcy and lost your house, perhaps you think you'll never be able to own a home again. Fortunately for you, you're wrong! With bankruptcy becoming more and more common these days, mortgage loans have been developed to help finance those who want to try again. These are called Bad Credit Loans. Don't assume it will be a walk down easy street though; you're going to have to work harder after a bankruptcy to get into a home.

Because of your bankruptcy, you are now considered a large risk to lenders. They are afraid, and statistically justified in feeling so, that you will not be able to make payments again, resulting in foreclosure. This would mean losses for your lender. To compensate for the high risk, lenders will generally charge you higher interest rates and points, and require a larger down payment to allow you to borrow their money. If this sounds harsh, consider that they are still lending you money and getting you into a home.

The down payment specifically will often be significantly more than it would be for someone with a good credit history. The more money you put down, the smaller the risk of loss for the lender. You should be aware that some lenders might require up to 10% of the home's value for a down payment. If you don't currently have enough to cover that amount, you might consider saving up while you rent elsewhere. If you absolutely must get into a house now, try applying for a federal grant. The government has designed grants (money you don't have to pay back) specifically to help those who have bad credit situations get back into homes. For more information on these grants, consult an experienced mortgage broker or browse through the internet.

Bad credit loans can also be very strict in their requirements for recently-bankrupted borrowers. Be prepared to do a lot of shopping around and hunting for a loan program that fits your exact profile. Some of the strict prerequisites could include certain credit scores, down payment amounts, and certain income potential.

Also, make sure the new home you buy is affordable. Figure out all your expenses and find out if you'll be able to consistently make the mortgage payments. Your chances of getting a home loan again after bankruptcy and a foreclosure are definitely not good.

Overall, the best strategy to getting back into a home after bankruptcy is to wait. Many lenders will not even consider applicants for three years after their bankruptcies. Don't let this get you down. A waiting period could help improve your credit score immensely as you make all your payments and make them on time. A higher credit score will help you get a better loan when the time comes. You may even be able to get away with little or no down payment.

If you feel like this world doesn't give out many second chances, be glad the mortgage industry is a group that does. To know the best options for you, consult your preferred lender and discuss your situation. He or she will help you discover the path back to homeownership.