

Your Credit and Home Loans

When you express interest in buying a home one of the first things that you will be asked, whether by a realtor, a home owner, or a mortgage broker or lender is about your credit. You just cannot get away from your credit when you want to apply for home loans so if you don't know what your credit is you should be prepared to find out! Your credit is an important part of buying a home because it determines, in large part, whether or not you are worthy of financing from a lender.

Understanding How Your Credit Affects Buying a Home

When you apply for home loans you are asking for more than just a couple of dollars, and because of this lenders have to choose wisely when they are considering those that are asking them for money. If a lender simply gave out money to everyone who asked they would be broke in a hurry because not everyone is going to pay them back. Every time someone applies for a loan the lender has to decide if the person is worth the risk that is involved with lending a person that they don't know money.

It wouldn't be fair for a lender to decide that everyone with a certain hair color or eye color would get the home loans that they needed and it wouldn't be fair for them to decide based on the race or gender of the person. The only way for the lender to determine who is worthy of the financial support and who is not is to look at the past credit choices of the individuals who are applying for loans.

Depending on the type of loan that you are applying for, your actual credit score may not matter much. For instance, when you apply for an FHA loan your credit report is pulled and your credit choices in the past are considered, but you do not have to meet a minimum credit score to be approved for the loan. With more conventional loans you have to have a certain credit score to qualify. For instance, if you need to have a credit score of 650 to qualify for the loan and your credit score is 649 you would not get the financing that you needed.

One thing you should know is that not all credit blemishes are looked at the same way when you are applying for home loans. You should do your best to pay all of your bills but if you have old medical bills on your credit report but you have been good about paying your credit cards, auto loans, and that sort of thing you will be in good shape. If you have had bankruptcies and foreclosures you may find that it is a little bit more difficult to get home loans. The great thing is that there are a lot of programs out there, giving just about everyone the chance to own a home. If you would like to own a home, give it a shot. The process will start and end with your credit, so if you know it is not good, you may want to take some time to build it up a bit so you have a better chance of getting the loan that you want!

About the Author

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