

## Mortgages for Bad Credit

Is it possible to get a loan even with less-than-ideal credit? In today's mortgage and loan trends, a mortgage in spite of bad credit is absolutely possible.

In the past, applying for a loan involved a painstaking check up on your credit history and income background. If your history is less than perfect or if your income is not that high, or if both are true, then your application for a loan is instantly rejected. This practice limited the number of people who could apply for a loan.

Today's market has adapted to be more flexible. Bad credit mortgages make it possible for people with low credit scores to still apply for a loan and be approved. When applying for a bad credit mortgage loan, no pre-qualification process is included. Lenders who offer bad credit mortgages among their catalogue of loan programs give their customers a chance to redeem themselves. With a bad credit mortgage, your credit history is no more than ancient history and you still get your money's worth.

There are several lenders who extend bad credit mortgages. When you pick one, make sure that you've learned everything that you need to know about bad credit mortgages. Oftentimes, bad credit mortgages sound too good to be true. With bad credit mortgages. It's best if you look out for the catch.

### Higher Interest Rates Associated With Bad Credit Mortgages

Bad credit mortgages are usually distinguished by high interest rates. Lenders charge borrowers higher interest rates for their bad credit mortgages as reparation for the risk they take. Unfortunately, borrowers who have bad credit records are loan risks and are viewed as such by lending companies. In exchange for letting these types of customers obtain bad credit mortgages, higher interest rates are charged. This increase in interest rates helps protect the lenders should something happen and they had to foreclose on bad credit mortgaged property.

### Discount Points in Bad Credit Mortgages

Discount points in bad credit mortgages are customary. A discount point is comprised of a percentage of the final purchase price. Bad credit mortgage borrowers are charged higher discount points, typically four to five points. Borrowers with better credit may not pay for these points or they may but only for a very low percentage. However, with bad credit mortgages, points may go as high as ten, although going this high is not a common practice and violates federal law. It all comes down to insurance for the lending company. Lending companies want to make sure that they're getting a return on investment from their customers' bad credit mortgages.

### Bigger Down Payments for Bad Credit Mortgages

The size of down payment required for borrowers on bad credit mortgages is larger compared to other loan types. In exchange for ignoring the customer's credit history, lenders charge larger down payments from the end purchase price. Borrowers may not be able to spare the money for the upfront price of bad credit mortgages. If you can afford the down payment required, a bad credit mortgage might even prove to be a positive thing for you. Because the down payment you made takes a considerable portion of your purchase price, you pay lower monthly rates on your bad credit mortgage.