

Tips for Getting Mortgage Loans in a Tight Economy

The credit crunch has made lenders wary of approving new mortgage loans, and has discouraged many would be borrowers from making applications. Many people, both homeowners who want to refinance and new borrowers who want to buy their first house, think credit is so tight that there is no point to refinancing or to applying for a new mortgage loan. However, they may be missing out on a great opportunity. Now may be an excellent time to refinance or apply for a new mortgage.

Why? The Fed has drastically cut interest rates to stimulate economic growth, leading to substantially lower mortgage loans interest rates. That can mean a windfall for you in the form of lower monthly payments and a lower total cost for mortgage loans. If interest rates are now at least two percent lower than they were when you got your loan, now is the time to refinance.

But aren't banks refusing to approve new mortgage loans? The answer is both yes and no. The key is the borrowers credit rating. Banks are leery of offering new loans to anyone with a bad credit rating (and guidelines for what constitutes a bad rating are more stringent now), but they are happy, even eager, to offer loans to people with good credit. If your credit is good, then by all means, apply right away.

If your credit rating is slightly below the zone considered good, then there are a few simple steps you can take to raise it over the next six months. Pay all your bills on time scrupulously, putting them on automatic withdrawal if you can. The ratio of credit you have used to total credit you have available is important, so pay off as much as possible of your current loans and credit card balances. Ignore old advice to close down unused credit card accounts; leaving the accounts open increases the amount of credit available to you, improving your ratio of available credit to used credit. Be especially careful not to close old accounts, since closing them may remove them from your credit report, shortening your credit history. You want as long a credit history as possible, in order to establish that you have been responsible with credit for a considerable time. If you take these steps, maintain your payments successfully for several months, and avoid taking on new credit card debt, in months your score should be markedly better. As you can see, a credit crunch can be an ideal time to apply for new credit and new mortgage loans. Interest rates are dropping, so if you are the responsible credit user the banks want to lend to, negotiating new mortgage loans right now can lead to a much lower interest rate and substantial savings for you. Even a tight economy can turn to your advantage. More related information [Mortgage loans](#) [Mortgage rates](#) [Home loan rates](#) [Home loan Refinance rates](#)

About the Author

More references on mortgage rate, see us at .

Source: <http://sportsmans-shop.com>