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Capital Concepts Inc.
4116 S Carrier Pkwy Suite 280-827
Grand Prairie, TX 75052

Lending In 35 States

Texas - Subprime lending

Subprime lending - A type of mortgage lending intended to serve borrowers who do not qualify for prime loans because of credit problems or a limited credit history.

There are 100% purchase programs for people who have a 560 credit score.

Subprime loans that are over 80% typically don't require Mortgage Insurance. The risk of default is already calculated in the rate.

Subprime loans are a great tool to get credit challenged borrowers into a home quickly without taking the time to clear up past credit issues. When going into a subprime loan it is often advised to opt for a 2/28 or 3/27 vs a 30 year fixed. A 2/28 or 3/27 loan is fixed for the first 2 to 3 years then becomes an adjustable rate thereafter and offers a lower rate than the 30 year fixed. This 2 to 3 year time period gives you the time to better your situation enabling you to qualify for a conforming loan with lower rates before the rate becomes adjustable.

Whats in a name? A new term making its way in the mortgage industry in response to the term sub-prime. That new term is non-prime. Some lenders believe that calling a loan category "sub" is demeaning and turns off prospective credit challenged borrowers. The term non-prime suggests a less derogatory connotation and may be more viable as a marketing term.

If you do need to borrow over 80% over your home's value, let us know and we will compare your total monthly payments with PMI on a prime or Alt-A program and without private mortgage insurance on a low rate subprime program for people with fair credit.

Subprime lending has gotten so competitive that many homeowners get close to prime rates.

Suprime Lending has been quite competitive for the last several years primarily due to loose money policies and heavy investor activity. Borrowers should always keep in mind that this will not last indefinitely. In fact, many subprime lenders have started tightening their guidelines in the last quarter of 2005. This is due to a softening of the investment climate for these loans. The bottom line is, if you are considering a new mortgage for a purchase or refinance and your credit or other qualifications are less than "prime", you should act quickly.

Subprime lenders are great for getting first time home buyers, with or without good credit, into a home. Subprime lenders also help borrowers with excellent credit that have other problems getting financed like, proving income, loan to value etc.

While a person with a challenged credit history may easily place them into non-conforming and sub prime financing, these are not the only situations sub prime financing is useful for. If a person wanted financing greater than 95% on a single family home, but has great credit, assets, and employment history, they will need to go to alternate sources. Other possible scenarios include if an investor sought to get cash out of a property that exceeds normal guidelines; If employment was not something one could or wanted to document; if one wanted to get cash out of their property using the new appraised value under 6-12 months after buying it; If bank statements were the only feasible way to document income, and so on. The possibilities are literally limitless.

These are mortgages offered that allow for credit problems, higher loan to values, higher cash-out amounts, no PMI insurance. They also have looser underwriting guidelines, ignoring charge offs, judgments and collections. Also underwriting turn around times can be much faster.

Sub-prime mortgages were designed for those people who don't fit into the small box that conventional underwriting allows for.

With a Sub-prime mortgage you can secure a loan with credit scores as low as 500. Obtain no income verification loans with scores as low as 600. In many cases you can combine your first and second mortgage, secure a lower rate, avoid private mortgage insurance and save hundreds of dollars per month.

Mortgage brokers are usually the only source for subprime loans, as these loans are almost never offered by neighborhood banks. Most mortgage brokers have a network of mortgage banks that offer loan programs for all sorts of unconventional situations.

These types of loans are available to help borrowers with past credit history obtain mortgage financing. They are usually put in an ARM loan, fixed for a couple years so they can begin with a lower rate. This gives them time to work on their credit and ultimately refinance into a loan with better terms

Subprime lending refers to the extension of credit to persons who are considered to be higher-risk borrowers. In lending parlance, their credit ratings are B or C rather than A or A-. Lenders typically price subprime

loans to borrowers at rates of interest and points and fees slightly higher than conventional loans.

There are lenders that will go below 500 however the price for these loans can get quite expensive. Often the issue becomes an issue of equity rather than price.

Lenders feel that people who have not handled credit well in the past are at a greater risk of failing to repay their loans. Standard-priced loans are typically made to people with good credit history because their past record proves to lenders that they are at low risk of default.

Subprime is a good solution to purchase an initial house to get into the property. Once you are in the property, you can establish credit and payment history so that you can eventually refinance into a better loan program and get better rates.

Subprime lending offers many choices today. You can now get a home loan with credit scores in the 400's, have late payments, bankruptcies, foreclosures, but all will reflect the interest rate that you will receive.

The minimum credit score for many subprime lenders is 500. The amount you can borrow in relation to the purchase price - Loan to Value or LTV - (loan amount divided by purchase price) will be about 80% at 500 and go up from there in increments of 20 to 25 points on your score. There are many subprime lenders who will loan 100% with a 580 middle credit score for the primary borrower. So, having a poor credit history does not necessarily mean you have to have a large down payment.

Subprime lenders are a huge asset to the population of people wanting to purchase homes that don't fall under normal underwriting guidelines. Many people would not be able to purchase their dream home without Brokers providing these types of loans consequently causing fewer sales in the market place and a slower economy. Fill out the online form today and get started on your home search.

Suprime lenders are in general easier to work with and their documentation requirements are usually less.

Loans to borrowers whose credit is less than perfect will almost always be subprime loans. There are also other circumstances that lead to subprime loans, including high outstanding debt, unproven income, etc. Even borrowers with good credit may receive subprime loans for a variety of reason, including lack of verifiable rental history or liquid cash reserve requirements.

One solution if you have a low credit score is to purchase the home with a sub-prime lender and then clean up your credit score. Once the bad credit score is improved then refinance the home with a lower rate.

Especially when borrowing more than 80% of the value of your home, the slightly higher rates which lenders charge borrowers who have less than perfect credit are more than made up for by the savings the borrower receives by not having to pay for Private Mortgage Insurance which would have been required of a borrower with perfect credit.

First time home buyers may opt for subprime loans when they have little savings. Typically the asset requirements for subprime loans are not as strict as prime loans.

Common subprime candidate could possibly be Bankruptcy, Foreclosure, or major Credit Card Debt. Consult a Mortgage Professional so they help you obtain a home with little money down even carrying these difficult charges against your personal history.

Subprime is not for just poor credit borrowers. Any time you go over 80% loan to value, you get non prime rates.

The key to getting a sub-prime loan is disclosure. Although you may have been turned down by a bank for a certain incident in your credit history you need to be honest with your mortgage broker and disclose all the possible occurrences in your credit history that may prevent your loan from closing. Mortgage Brokers are experts in finding the right lender to fit your needs. If anything has been omitted the lender will find it and wonder why a broker did not submit the information. Lenders do not like surprises. So, disclose everything, good or bad, from your credit history and let the Mortgage Broker find the right lender for you.

As a rule, lenders offer subprime rates to customers who have credit scores below 620. If your score is higher than that, you should be able to qualify for a better interest rate. If not, you can either accept the higher rates from lenders, or take time to improve your score by paying off some bills or resolve previous collections and charge off's in a timely manner.

Everyone wants to qualify for loans at the lowest interest rates and with the most favorable conditions, but for those with severely blemished credit reports, the odds of doing so may not be attainable, but there may still be programs available.