

Credit standards for mortgages

Credit Score Requirements

Minimum credit score requirements vary according to the loan program. Your loan officer will pull credit reports from three credit bureaus (Experian, TransUnion, and Equifax) and use the middle score for qualification purposes. Currently Allen Tate Mortgage's minimum score requirements range from 600 to 700, depending on the loan program.

Beyond the Score

The actual score is just the starting point when looking at credit standards for a mortgage. The content on your report is equally important. Your loan officer will review several areas of content.

Open and Active Accounts

Ideally, you should have at least three open and active accounts, which have a minimum of 12 months of good payment history. If you meet this requirement, discuss your options with your loan officer. Depending on your other qualifications, you may be eligible to build an application with alternative credit such as rent, utilities, and other monthly paid bills which can be verified.

Collections

For the most part, our mortgage underwriters want borrowers to pay or settle all non-medical collections on their credit reports, regardless of age or amount. Work with your loan officer to address any collections that are incorrectly reporting as unpaid. Your loan officer can help you clear these IF you have proper documentation.

Judgments and Liens

Judgments and liens are always required to be paid before you can get a mortgage.

Bankruptcy

If you have had a bankruptcy, you will be required to wait 2-4 years after your bankruptcy is settled, depending on the type of loan you are trying to obtain and the type of bankruptcy you have had. In addition, it is very important that you have maintained a clean credit history after your bankruptcy.

Foreclosure, Short Sale, Deed-in-Lieu

If you have had a foreclosure, your waiting time to obtain another mortgage will range from 3-5 years, depending on the loan program. If you have had a short sale, discuss your situation with your loan officer. Guidelines vary and are dependent on your overall credit profile; whether you were late on the mortgage before the short sale; and the circumstances of the sale.

What Now?

Even after delinquent accounts and collections are paid and/or brought current, your work is not complete. When you submit your loan application, you will need to write a letter of explanation for the underwriter. Unless you are able to get the account deleted from your report, the underwriter is required to take into account your past payment history in the examination of your credit profile. This is your opportunity to explain what caused your financial hardship, and convince the underwriter that you are much better equipped to handle your credit obligations now.