

Getting the Best Interest Rate on Your Home Loan?

A Qualified Mortgage Consultant Can Help Boost Credit Scores

Consumers interested in purchasing or refinancing a home will pay an interest rate based on current market conditions and their ability to pay back the loan. The borrower's income and debt ratios are taken into consideration by the lender, as well as the predictability factor provided by credit scoring. It's important to have a mortgage professional in your corner that has a keen eye for solutions to improving credit scores in an effort to get the best interest rate possible.

Your mortgage consultant can provide a strategy for refinancing as your credit score improves.

Interest rates associated with various loan programs are broken down into schedules based on credit score ratings. While each lender has its own guidelines, it's safe to assume that as the consumer's credit score goes *down*, interest rates will go *up*.

A borrower with an outstanding credit rating will get what is called an A-paper loan. This type of borrower is rewarded with a lower interest rate because they have a proven track record of using credit sensibly and paying their bills on time.

Loans designed for consumers with less-than-perfect credit sometimes referred to as "sub-prime" can range anywhere from A-minus, B-paper, C-paper or D-paper loans.



If you have already taken out a mortgage loan with a higher interest rate because your credit score was a little under par, you will really appreciate the value in doing a little work to improve your credit score. Refinancing from a D-paper loan to a B-paper classification can save literally *thousands* of dollars in financing fees over time, even though the B-paper loan is still considered sub-prime.

A qualified mortgage consultant will guide you through the nuances of the process of improving your credit score to refinance and save money. First and foremost, he or she will want to review the terms of the existing mortgage loan to determine if you have a pre-payment penalty clause written into your contract. In general terms, that means that if you sell the home or try to refinance before the pre-payment penalty expires and you have not already paid off 20 percent of the original loan amount, you will most likely have to pay a 3 percent fee back to the lender to compensate for the high risk and high costs incurred to provide that financing.

Next, you should obtain free copies of your credit reports from www.annualcreditreport.com and start working on improving the credit score six months prior to the expiration date on your existing pre-payment penalty.

There are five factors that make up the credit score and your mortgage consultant can coach you through some basic strategies to improve your credit score. This means very conservative use of credit cards, paying off debt as much as possible and not applying for additional credit cards unless you will benefit from such action. You will want to verify that negative items you have paid off are being removed from your credit report, and that good credit history is being reported to all three bureaus. You'll also want to dispute any errors that appear on your credit reports and seek to have those removed entirely.

Once your score improves, it's time to refinance at a better interest rate. Your mortgage professional should look for a program that carries no more than a two-year prepayment penalty so you can continue to refinance as your credit score increases. You can repeat this process until you reach A-paper status and secure the best interest rate available.

This is a strategy that also works well for first time home buyers who do not have enough credit history under their belt to get an A-paper loan at the time of purchase. The important thing is to work with a mortgage consultant who can give you a roadmap to follow and a strategy for success in building personal wealth.

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