

Capital One: Will Bad Credit Keep Me From Buying a House?

It might not be easy, but having a low credit score doesn't make it impossible to get a home loan.

Asking if bad credit means you won't be able to buy a home is a common, straightforward, and understandable question. But the answer isn't always simple. You might have had late payments in the past, non-payments of debt, a bankruptcy, or some other issue. Any of these could've sent your credit score to a place you'd really rather not think about. But you're trying to buy a house, so now you have to.

The good news is that having a low credit score doesn't make it impossible to get a home loan. It may not be easy, but there are ways to get it done. Lenders will probably want to go into great detail to understand your credit background and what might have happened. You may have to come up with a larger down payment. You may have to plan on a higher interest rate. There might be other issues you'll have to deal with that wouldn't apply to someone with a high score. But the first order of business is to not get discouraged before you even start.

Is There a True Minimum?

The top scores are usually those above 740, while Capital One considers anything above 660 as "good." Naturally, scores for some people are well below there. If you do your research on the Internet, you'll probably find articles saying you need a 580 or 620 minimum score to qualify for a home loan. However, that's not set in stone. Some lenders may want a higher number, while others could be fine with one that's lower.

According to the Department of Housing and Urban Development, for loans to be insured by the Federal Housing Administration you need to have a minimum credit score of 500. But that will also require you to bring at least a 10 percent down payment to the table, and again, what scores lenders will accept can still vary.

If you're worried about your situation, you may want to go over everything with an expert to get some ideas for increasing your score. You can check to see if your state's housing agency or someone at your city or county government works on counseling homebuyers. One of these local programs may have a certified counselor who can help you understand what's behind your credit score and ways you might raise it.

"You might need to talk to a few lenders before you find a loan that works. If it turns out you can't buy a home right now, increasing your credit score might help you do so in the future."

Just how much house you may be able to get, and how much it'll cost you upfront, will also depend on factors other than your credit score. Every lender will have its own way of doing things, but you can count on them to look at your other debts, your income

level, and your job history. After they do, they might end up recommending a loan type other than a standard 30-year, fixed-rate mortgage.

Having an honest conversation about it is the only way you'll know for sure whether you can get a home. That's because everything about your credit history and current financial situation is unique. And don't forget that even if one mortgage lender says no, another one might say yes.

If it turns out you can't get a home loan right now, that doesn't mean you never will. Work on improving your credit, and you might have a better chance in the future. Maybe you don't even have a credit history—you might want to start building one by opening a credit card account.

Finding a house won't necessarily be easy with a lower score, but if you truly want to be a homeowner, you can eventually get there.

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