

## Less than Stellar Credit and Looking to Buy a House? You're Not Alone

With property inventory stabilized, the options for potential homes are exciting for anyone looking to buy a house this year. The perfect home is very likely out there, with the right location, the right schools and the right commute distance. That said, there is another step in the process, another check mark on the list that has to be passed.

Credit scores are the first criteria that your real estate broker will check once you get the process to find a

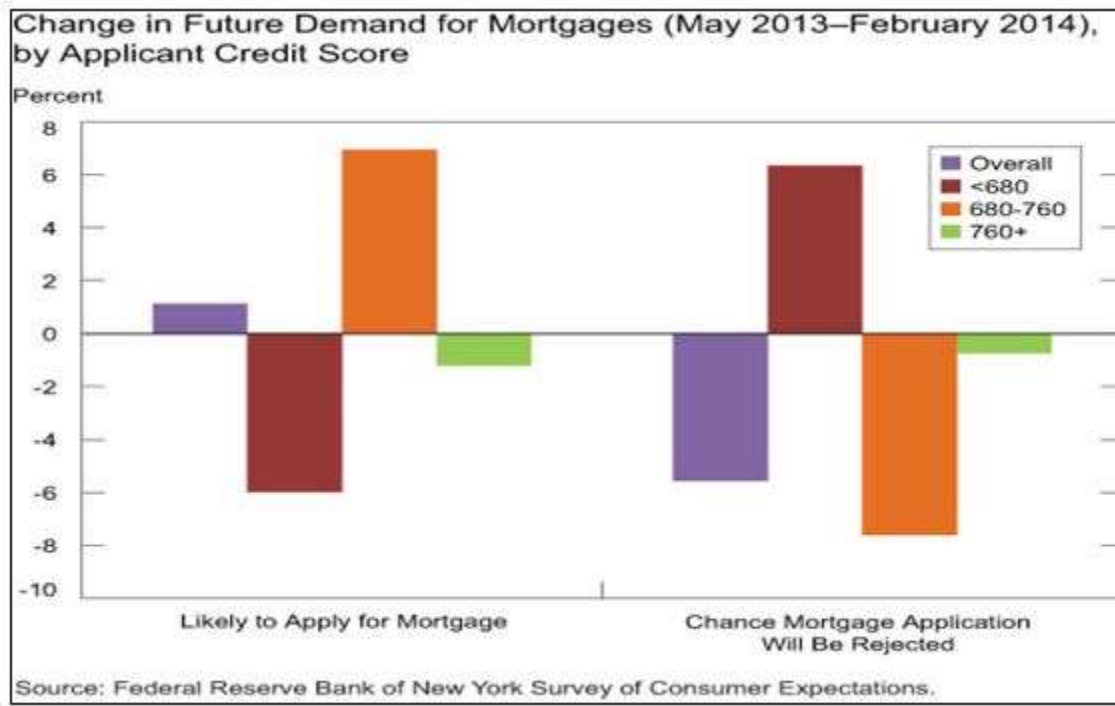
home started. It's not a pass-fail scenario, but it is important to understand how your credit score affects your chances of being approved for a mortgage. As many potential homeowners have found in the past year, it can be more difficult than originally thought.

In a recent report from researchers at the Federal Reserve Bank of New York, mortgage loan applicants were polled about mortgage loans between May 2013 and February 2014. Their estimates indicate that:

When surveyed in February about their plans to apply for a mortgage over the next 12 months:

- Borrowers with FICOs below 680 indicated a drop in plans to apply for a mortgage in the next 12 months by 6%, roughly 6 times the decline among borrowers with FICOs greater than 760, while plans to apply for mortgages by borrowers with FICOs between 680 and 760 increased roughly 7%.
- Pessimism among borrowers with FICO scores below 680 increased as respondents who expected to apply for a mortgage also expected an increase in the 6% rejection rate.
- All other groups expected a decline in rejections.





It was also estimated that:

- Applications for mortgages fell sharply over this period for consumers in all FICO brackets.
- The uniform impact is likely due to the nearly 80 basis point increase in mortgage rates over this time frame.
- The mortgage application rejection rate fell for all groups except those with FICOs below 680.

Losing potential homebuyers based on strict credit requirements will work against the gains the real estate market has just so recently achieved. Homes stay on the market too long, sellers get discouraged and inventory becomes an issue. Something has to give with the existing requirements to keep growth in the industry moving.

With the results of this report, many lenders are reconsidering returning to more traditional, well-underwritten loans in the lower FICO spectrum. This would open the potential of mortgage approval for less-than-stellar credit carrying homeowners.

If you're not sure about your credit score or think you may be on the lower end of the FICO spectrum and are interested in find a home this year, speak to your local real estate broker and find out what options exist to get you into your dream home.