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Is there a Mortgage after Bankruptcy?

More than 1.6 million American families filed for bankruptcy between 2002 and 2003; a rise of nearly 150,000 nationwide. If you have recently declared bankruptcy, you are probably having difficulties getting credit approval, especially for a home loan.

And if you find a lender to work with you, you are unlikely to get a competitive interest rate. Your bankruptcy status stays on your credit bureau file for ten years following the date that you are declared insolvent. While many mortgage companies will not touch any applicants with negative reports on their credit file, there are some lenders out there who specialize in bad credit and bankruptcy home loans.

However, whether or not you are approved for a mortgage loan depends on your credit score. An applicant who has declared bankruptcy will have a very low score. But there are other areas of your credit file that can boost your score, such as keeping open one or two existing loan agreements to show you are making efforts to repay your debts.

Do everything possible to help restore your rating. Try applying for a credit card even if you do not intend to use it as acceptance by a card provider will show mortgage companies that you are regarded as a relatively safe prospect despite your financial predicament.

Remember that credit reports are not always entirely accurate, so it is important that you check it for any errors, particularly if your credit score is in such a precarious position. One amendment in your favour could mean the difference in being turned down for a home loan and being accepted.

If you have a mortgage, but then declare yourself bankrupt, you can keep your property but may only maintain a certain amount of equity within it. The equity levels are known as the homestead exemption and vary from state to state.