

Buying A Home With Bad Credit Is Still An Option

Would you believe that over 50,000 U.S. homes were purchased with owner financing last year?

The high rate of foreclosures, nationwide economic distress, and more strict lending practices have just about drained the pool of creditworthy homebuyers.

But homeowners still have to find ways to recoup lost funds; and owner financing is still an option.

While the risk of owner financing is significant and really an act of faith, it's definitely a possibility with the help of an experienced real estate agent and a real estate attorney; both parties - home buyer and seller - can work out an advantageous contract that works for everyone.

Some sellers focus on those homeowners who suffered a foreclosure because of extenuating circumstances, while other sellers are not that concerned about credit issues or how your state of affairs came about - as long as you can afford the monthly payment.

In most situations owner financing is still cheaper than renting a house or apartment.

Advantages of Owner Financing

1. No Closing Costs. Seller financed transactions never boast the usual fees traditional lenders add on like origination fees, discount points and mortgage insurance premiums.
2. You can close the transaction faster.
3. There is more flexibility. Home buyers can negotiate better down payments and interest rates. While traditional lenders may be firm on a 20% down payment, you may be able to combine several balloon payments that equal the 20% over a specified time.

Disadvantages of Owner Financing

1. Owner financing can be expensive. The average mortgage interest rate hovers around 5 percent. However, with seller financing, you may pay an 8 or 9 percent interest rate.
2. The interest rate may not be fixed. You could wind up with variable rates, of course, written into the contract.

While seller financing can be expensive, those with tainted credit histories can still get into a home that they will eventually own.

Keep in mind, sellers are taking a big risk and want something extra for not being able to cash out on the home right away, as they would in a traditional sale.

The key here is to negotiate reasonable and fair terms that work for everyone.

Two important elements that all parties will need are a savvy experienced real estate agent and a real estate attorney that represents the interests of the individual client.

Seller financing can be a great tool for those who are unable to get approved for a traditional loan as long as you're prepared for the journey.