



**GETTING THE
BEST MORTGAGE IN
WASHINGTON STATE**

With or Without the Best Credit Score



TABLE OF CONTENTS

Overview: Qualifying for a Mortgage Loan in Washington State

2 - 4

Adjustable vs. Fixed-Rate: Types of Mortgages in Washington State

9 - 11

Can I Get a Home Loan in Washington State With Bad Credit?

5 - 7

More on ARM Loans

11 - 14

Can I qualify for a mortgage loan in Washington with credit issues? Is my credit score good enough to qualify for a mortgage loan? Can I get a home loan in Washington State with credit issues in the past? These are common questions among home buyers who need mortgage financing. Here's what you should know about the relationship between credit scores and home loans.



OVERVIEW: QUALIFYING FOR A MORTGAGE LOAN IN WASHINGTON STATE

When you apply for a home loan in Washington State, or anywhere else for that matter, the bank or lender will review all aspects of your financial situation. This will include such things as your debt-to-income ratio, bank statements, employment status, and credit score.

This review process will tell you (A) if you're qualified for a mortgage loan, and (B) how much you are able to borrow based on your income and debts.

Why Credit Scores Are Important

Credit scores play an important role in the Washington State mortgage underwriting and approval process, and for several reasons.

Your credit score essentially shows how you have borrowed and repaid money in the past. It is computed based on the information contained within your credit reports, which are maintained by TransUnion, Experian and Equifax.

A higher score will improve your chances of qualifying for a mortgage loan in Washington, while a low score might make it harder to obtain financing. This three-digit number can also affect the interest rate you receive. Generally speaking, Washington State home buyers with higher credit scores tend to get lower rates on their mortgage loans.

Good News: Credit Issues Don't Haunt You Forever

Many Americans have had credit issues in the past. In fact, there's a long list of things that can lower your credit score. Late or missed payments on credit cards are one of the most common issues, but there are many more.

According to a 2016 analysis from the credit-reporting company Experian, nearly one-third of all Americans had a score lower than 601 (which is generally regarded as the distinction between "bad" and "fair" credit). So bad credit is fairly common.

The good news is that credit issues don't haunt you forever. Negative entries can stay on your report for up to seven years in most cases, but their impact tends to lessen over time. In other words, you can rebound from past credit issues. Keep this in mind when applying for a mortgage loan in Washington State.

The Big Picture Is What Matters Most

Credit scores are an important part of the mortgage approval process in Washington State. But there's a much broader picture to consider as well.

When considering a loan application, banks and mortgage companies tend to look at all aspects of the applicant's financial picture. This includes income, employment, debts, payment histories, and — yes — the credit score.

Because of this "big picture" analysis, a relatively low credit score by itself isn't necessarily a deal-breaker. For example, if a borrower has recovered from credit issues in the past, and also has a long history of making debt payments on time, he or she could still qualify for a Washington State mortgage loan.

Also, it's important to point out that **some mortgage programs are more forgiving** when it comes to borrower credit scores. The Federal Housing Administration (FHA) home loan program tends to have **more flexible criteria** because the loans are insured by the federal government. Likewise, the VA mortgage program for military members can be more lenient than a “regular” conventional loan.

The bottom line is that it's possible to qualify for a mortgage loan in Washington State with credit issues in the past. But the only way to find out where you stand is by speaking to a lender.





CAN I GET A HOME LOAN IN WASHINGTON STATE WITH BAD CREDIT?

Above, we discussed ways of proceeding with blemished credit. But what if your credit is a bit more than blemished?

“I want to apply for a loan to buy a house in Washington State, but I currently have bad credit. Is there any way I can qualify for a home loan with a low credit score?”

This is a common lament from home buyers who have credit issues in the past. It’s a tough question to answer across the board, because every lending scenario is different. Here’s what you should know about applying for a home loan in Washington State with “bad” credit.

Getting a Home Loan in Washington With Bad Credit

If you're paying cash for a home, your credit score won't be an issue since you're not using a mortgage loan. But if you're like most homebuyers in Washington, and you need a loan to help finance your purchase, then your credit situation will come into the picture.

As we mentioned, credit scores are just one aspect of the mortgage qualification process. Lenders use these three-digit numbers (along with supporting documentation) to get a sense of how you have borrowed and repaid money in the past.

- Generally speaking, a higher score suggests a person who pays his or her bills on time and uses credit sparingly.
- A lower score is usually indicative of past credit problems (like late payments and debt collections), and/or an excessive level of debt.

As for the minimum credit score needed to qualify for a mortgage loan in Washington, **there is no single cutoff point for all situations.** It can vary based on the type of loan you are using and other factors. Generally, lenders today prefer to see a score of 600 or higher for home loan approval. But again, it can vary.

Other Factors That Can Affect Mortgage Approval

There are other factors that come into play when you apply for a mortgage loan. These include your debt-to-income ratio, the size of your down payment, cash reserves you have in the bank, and other factors.

Strengths in some of these other areas could offset a bad credit score when applying for a home loan. For example, a borrower with less-than-perfect credit might still qualify for a mortgage loan in Washington State, if they have plenty of money in the bank and a large down payment.

The bottom line is that borrowers shouldn't automatically assume their credit scores are too low for a home loan. The only way to find out for sure is to speak with a mortgage broker or loan officer.

Recap

Can you qualify for a home loan in Washington if you have bad credit? That depends on where your credit score lies, and what caused it to drop in the first place. The type of home loan you are seeking will also play a role. For instance, FHA loans generally have more leniency when it comes to credit scores, compared to conventional home loans. Additionally, **strengths in other areas could help offset any credit-related issues.**

ADJUSTABLE VS. FIXED-RATE: TYPES OF MORTGAGES IN WASHINGTON STATE

This section is a follow-up to a previously published overview of the [different types of home loans](#) available to borrowers in Washington State. Today, we'll take a closer look at the key differences between adjustable-rate and fixed-rate mortgage loans.

It's One of Your First (and Most Important) Choices

If you're planning to apply for a home loan in Washington State, you'll have to **choose between a fixed or adjustable rate**. It's important to understand the pros and cons associated with each option.

All mortgage rates have interest rates applied to them, and the rate can either be fixed (**unchanging**) or adjustable. It can even be a combination of the two, as is the case with today's "hybrid" ARM loans.

So, how do you choose the right mortgage option when buying a home in Washington State? The first step is to understand the unique advantages of each financing option, and to choose the one that best matches your financial goals.

Let's look at the key differences between fixed and adjustable-rate mortgage loans for Washington home buyers.



Fixed-Rate Mortgage: A Stable Financing Option

Description

A fixed-rate mortgage loan has an interest rate that stays the same, always. It does not change or fluctuate with market conditions, no matter how long you keep the loan. In Washington State, fixed-rate mortgages are available with different repayment term lengths. **The 30-year fixed home loan is the most popular financing option among Washington State home buyers and homeowners.**

Pros

Payment stability and predictability are the primary benefits of using a fixed-rate mortgage to buy or refinance a home. Because the interest rate stays the same, the monthly payments will also remain the same. This is true for as long as you keep the loan, up to the point that you pay it off, refinance, or sell the home.

Cons

The downside is that you might have a higher interest rate when compared to the initial rate on an adjustable mortgage. That's because long-term fixed home loans generally have higher rates than ARMs.

Adjustable-Rate Mortgage: A Money-Saver for the Short Term

Description

An adjustable-rate mortgage (ARM) loan has an interest rate that can adjust or change over time. **Usually, the rate will adjust once per year**, sometimes after a period of fixed interest that can last for several years. “Hybrid” ARM loans are common these days. They get their name because they start off with a fixed mortgage rate for the first few years, after which the interest rate begins to adjust annually.

Pros

Washington home buyers who use adjustable mortgage loans usually do it to save money. That’s because hybrid **ARMs typically start off with lower interest rates than fixed mortgages**. They can be a money-saver in the short term, making them well-suited **for homeowners who plan to move or refinance the home after a few years**.

Cons

The downside is that your monthly payments could go up over time, once the rate begins to adjust. **That makes the ARM loan less predictable** than the fixed-rate mortgage option described earlier.

Best Option for Washington State Home Buyers?

So what's the best mortgage option for a home buyer in Washington State, fixed or adjustable? This will depend on your financial priorities and your long-term plans.

For example, **if you don't like uncertainty and prefer your monthly payments to stay the same over the long term, a fixed-rate mortgage loan is probably your best option. This is especially true if you think you'll be staying in the home for many years.**

On the other hand, **if your top priority is to minimize the size of your monthly payments, you might consider using an ARM loan to secure a lower interest rate.** And remember, there's always the possibility of refinancing into a fixed-rate mortgage down the road, if you choose.



Every Washington State mortgage option has certain pros and cons associated with it, and that goes for the fixed-versus-adjustable question as well. The key is to choose the financing path that works best for you given your financial goals and priorities.



MORE ON ARM LOANS

They Can Be a Money-Saver for Washington Home Buyers

Home prices in Washington State are currently higher than they've ever been before, and they're expected to continue rising over the coming months. As a result of this trend, home buyers in Washington are always looking for ways to save money and reduce their monthly payments. Because an adjustable-rate mortgage loan has an interest rate that can change over time, it can go up or down, depending on market conditions at the time of adjustment.

The initial rate on an adjustable home loan might stay the same for months or years, depending on how it is structured. For example, the commonly used **5/1 ARM** has the same interest rate for the first five years, after which it will adjust every one year. That's what the "5/1" signifies.

Many ARM loans start off with a lower interest rate than a fixed mortgage. As of mid July 2019, the average rate for a 30-year fixed home loan was 3.75%. This is based on the weekly survey by Freddie Mac. The average rate assigned to a 5-year ARM loan is much lower at 3.46%. That's a difference of 29 basis points, or 0.29%.

That's why some borrowers in Washington choose to go the adjustable route. They do it to secure a lower rate and reduce their monthly mortgage payments — at least initially. By securing a lower mortgage rate, you'll also be **reducing the size of your monthly payments** (compared to a fixed loan with a higher rate).

As borrower, the best strategy is to choose a loan that will support your financial goals and priorities.

Ready to Explore Your Options?

Would you like to see how much money you might save during the initial years of an ARM loan? Want an estimate of your monthly housing payments? We can help. Our knowledgeable financing experts can help you explore your options to choose the best loan product for your situation. Our team has in-depth knowledge on all types of Washington mortgage loans, including ARMs.

LET'S TALK

Please [contact us](#) if you have questions about qualifying for a mortgage loan in Washington. We can review your credit score and other aspects of your financial situation to determine if you're a good candidate for a loan. We've been helping borrowers across the Pacific Northwest for more than 25 years, and we look forward to helping you.

Please [contact our staff](#) if you'd like to get pre-approved for a loan, or if you just have mortgage-related questions.



Get Pre-Approved
For A Loan Today!

CONTACT US NOW