

# How to Get a Mortgage When the Banks Say NO

Home Mortgages for Good  
People with Bad Credit



Michael Bonn

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Jen's Edits & Critiques

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# Introduction



Helping people with poor credit can be challenging. In fact, it's probably the least loved market in the real estate industry.

If you have a bad credit score *and* you're ready to buy a house, you'll face a handful of obstacles.

Some of these include:

- Less help from mortgage professionals.
- Access to fewer products.
- Higher loan costs. For example, if you need a \$250,000 loan, you might end up paying an extra \$331/month in interest.

If you find yourself in this unfortunate situation, then I can help! My goal is to make a positive difference in your life by helping you fix your credit score and attain your dream lifestyle.

When you have poor credit, your income gets stretched thinner. Cell phones, utilities, insurance, car payments—you name it, life gets more expensive. In fact, compared to someone with good credit, the extra costs of cars, credit cards, and a house can easily cost you \$500,000!

Ouch!

The good news? Not all is lost.

By reading this book, I hope to teach you the lasting effects of mismanaging your credit, the possibilities of getting a “return on credit,” and many other paths to a brighter, happier, more lucrative future.

You’re not alone, my friend. Every day, people struggling with credit find solutions and, as a result, reap the harvest of a good credit score.

*Michael*

# Chapter 1: You're Not Alone

Everyone wants to own a home. It's part of the American dream. However, for some, the home buying process isn't what they expect.

It all starts with hope and excitement. You spend weeks—months—*years* researching neighborhoods and cities, evaluating your budget, and picturing the life you want.

Search, search, search—ah-ha! At last, you find the perfect home. Giddy and hopeful, you put in an offer.

And BOOM! You get turned down.

All that hope, all of that excitement suddenly transforms into devastation and dread. The dream you've always had of owning a home flickers and dies.



Don't give up!

As Your Mortgage Credit Coach, I want to cheer you on, and train you to avoid this kind of discouragement. I want to teach you:

- What the heck a credit score is.
- How your age affects your credit.
- Why bad credit will cost you more—*a lot more*—by the time you reach retirement.
- How to manage your credit cards.
- How the mortgage approval process works and how to get approved despite poor credit.
- The myths and truths about credit.
- How to deal with pesky collectors.
- How to avoid common credit traps.
- How to keep your credit and enjoy life more!

I want to show you how to live the life you've always dreamed of.

Let's do this!

# Chapter 2: What the Heck is a Credit Score?

Just hearing the words “credit score” can send a lot of people into a spiral of “Huh?” and “Ugh!” Yeah, it’s not the most thrilling topic. But it’s an important one to understand.

So, what the heck is a credit score?

Essentially, your credit score helps lenders decide if they can trust you. Can you pay them back? Are you worth the risk? If so, how much should they charge you in interest?

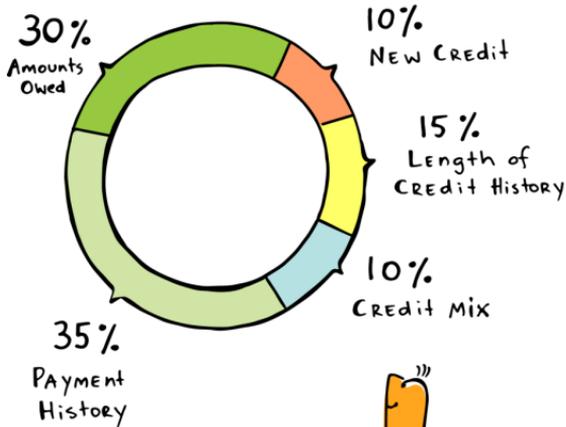
Think of it like your GPA in high school; the higher, the better. You’ll be given more opportunities and face less rejection.

FICO SCORE	RATING	What FICO scores in this range mean
800+	Exceptional	Well above the average score of US consumer Demonstrates to lenders you are an exceptional borrower
740-799	Very Good	Above average of US consumers Demonstrates to lenders you are a very dependable borrower
670-739	Good	Near or slightly above the average of US consumers Most lenders consider this a good score
580-669	Fair	Below the average of US consumer's The FDIC considers a FCIO of 660 or below a subprime borrower Though many lenders will approve loans with this score there will be a price adjustment
< 580	Poor	Well above the average score of US consumers Demonstrates to lenders you are a risky borrower

In the mortgage industry, lenders like to see scores above 760. Anything under 660 could get a Simon Cowell-like rejection. Okay, maybe not *that* harsh, but still. You'll risk hearing "No" more than "Yes" if your credit score is too low.

So, how exactly is your credit score calculated?  
It's based on five factors:

## How your FICO score is calculated



\* information from MYFICO.com

Where do these scores actually come from? No, there isn't a Credit Fairy or a Financial Wizard who waves a wand and magically produces them...even though that would be really cool.

In actuality, there's a data analytics company based in San Jose called FICO. They use nine scoring systems for various industries. That means your credit score for a car might be different than a home.

Now, let's talk about credit reports. Don't cringe! It's not as terrible as it sounds, I promise.

If a credit score is your GPA, then a credit report is your report card. It's a summary of all you've done up to a specific date.

There are three main credit reporting agencies lenders use:

1. Equifax
2. TransUnion
3. Experian

Typically, each of these credit reporting agencies have different credit score numbers.

Why?

Credit companies don't report to all three. Some will report to one, two, or all three.

You can check your score at any time. At national sites like [AnnualCreditReport.com](http://AnnualCreditReport.com), you can pull your credit for free.

You can also pay to get your FICO scores by going to [MyFico.com](http://MyFico.com).

So, now that you have a general idea of what credit scores are, let's talk about why your score might be low.

# Chapter 3: Young, Bold, and Broke

The world is your oyster, especially when you're young.

In your 20s, you might embark on an exciting career, or fall in love and start a family, or hop on a plane and travel the globe. Why not? This is the time to explore, adventure, and launch yourself into adulthood.

Anything is possible.

Well, not *anything*.

Unfortunately.

When you're young, you have thin credit. This means:

- You haven't had enough time to build up your credit history.
- You make rookie mistakes—like paying bills late—that hurt your score. *A lot*.
- Your credit mix, well, stinks. Compared to someone in their 60s, you likely haven't owned multiple houses, cars, credit cards, insurance plans, etc.
- You're prone to dropping into the FDIC's subprime market. One out of three people

fall into this category with a credit score of 650 or less.

Credit cards also play a big role. Did you know 30% of your FICO score involves your credit usage habits?

Most 20-something's only have three or four credit lines reporting. That's not very many. It's so few, in fact, that if you pay a bill late, your credit score will suffer.

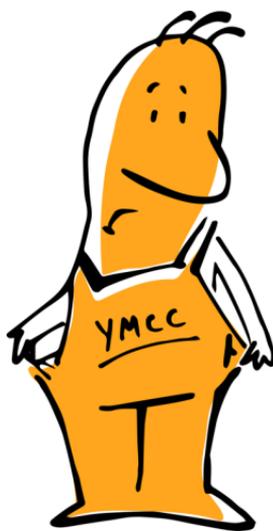
A bigger pitfall is when you have a high balance on a small credit card. For example:

You have a \$500 credit card and charge \$400 on it. When creditors see you're using 80% of your available credit, they mark you as **HIGH** risk.

Now, let's say you have a \$1,000 credit card and charge \$400 to it. Guess what? You're no longer a risk because you're only using 40% of your credit instead of 80%.

To creditors, this means you're a responsible, savvy, frugal adult.

Another downfall you need to be aware of is how much you're making compared to how much you're spending. If you have more bills than income, creditors will frown upon you.



Again.

Being young is splendid in so many ways. But it's also a minefield of temptations, bad decisions, and hard lessons.

It's okay.

We've all been there, including me.

As your YMC Coach, I want to help you cross that minefield unscathed. Or, if it's too late and you stepped on a financial bomb, I want to help put your life back together so you can own a home and save money.

*A lot of money!*

# Chapter 4: How to Make Half a Million Disappear

This may shock the socks right off you, but your credit score could cost you a half-million dollars by the time you reach retirement.

Why?

Simple: Lenders are wary of you, so they charge you more interest.

Let's break down the numbers:

Meet Jack and Jill.

Jack's credit score is 780.

Jill's is 580.

Each of them buys a \$250k house when they're 35-years old.

Jack is charged 4.5% interest.

Jill is charged 6% interest.

Based on principal and interest alone:

- Jack's 4.5% payment: \$1,266.71
- Jill's 6% payment: \$1,498.88

If you take the difference, Jill pays \$232.17 *more* than Jack each month. Over the course of 30-years, she'll pay \$83,581.20 more.



The same can be shown with a car. With Jack's higher credit score, he'll only be charged 4%, while Jill will be charged 18%.

For the *same* car! (\$36,000 car with a 5-year term)

- Jack's 4% payment: \$662.99
- Jill's 18% payment: \$914.16

So, Jill pays \$251.17 more than Jack every month. Again, for the *same* car.

If you combine both car and home, Jill pays **\$483.34** more than Jack every month. Add in taxes, and Jill will need to make approximately **\$7,200** more than Jack every year.

Guess what that boils down to? Yep! By the time Jill retires, she'll have to earn **\$216,000** more than Jack.

Just to stay even, nothing more.

All because he had good credit, and she did not.

And guess what Jack is doing with that extra \$216,000 he saved? He invested it at 6%. Now he can pay off his house and have close to half a million dollars in the bank for retirement.

**Half a million dollars.**



This is called “return on credit,” and I want to help you experience it. I want you to smile like Jack and enjoy all the years to come in your life.

And, trust me, you can.



# Chapter 5: The Mortgage Approval Process

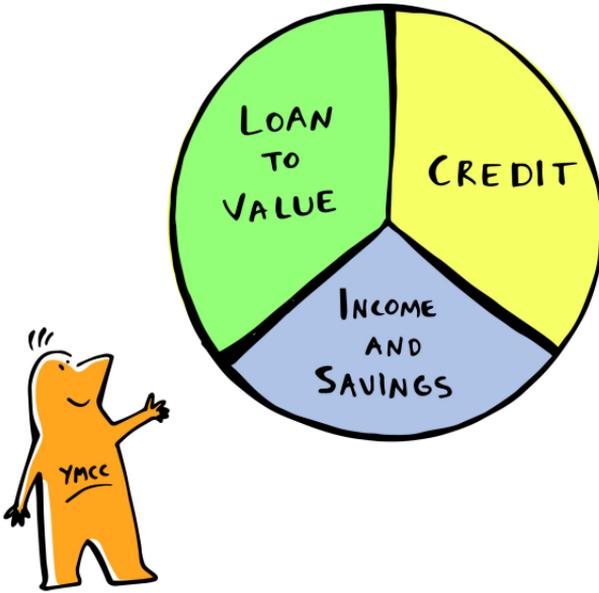
When most people hear words like “mortgage” and “credit,” they cringe and run for cover. Nobody wants to face the great and terrible Mortgage Monster.

But, have no fear. When you understand the process, you’ll see the “monster” isn’t all that bad. In fact, it’s pretty simple.

The mortgage approval process is determined by three main factors:

1. Credit score.
2. Income/savings.
3. How much money you put down on a house (or the loan-to-value).

## THE 3 MAIN COMPONENTS IN APPROVING A HOME MORTGAGE



The higher each factor is, the easier it is to get a loan. Why? Because there's little to no risk for a mortgage company. You've proven you're financially stable.

Now, let's say one of those three factors isn't great. Maybe your credit score is 580, or your monthly income is worthy of a Top Ramen diet. When this happens, you need to find a way to balance things out.

For example, Jill's credit score is only 580 (uh-oh!). It's okay because she makes good money as

an ER nurse, which means she can pay her loan *and* put down a good chunk of money upfront.

## Mortgage Approval



■ Credit Score ■ Income/Savings ■ Down Payment

Although the chart isn't *technically* balanced, two of the slices are large enough to offer lenders peace of mind.

So, what happens if you only have one of the three factors up to par? Or none at all?

Well, we have work to do. We need to work together to form a game plan to strengthen all areas.

We do this by understanding your strengths and figuring out what pieces we can improve quickly.

Now, at this point you might be wondering why so many mortgage companies reject applicants. Simply put, they got burned.

Ten years ago, mortgage companies across the country took on too much risk and experienced

default after default. Fannie Mae, Freddie Mac, FHA—they all lost money.

Worse, they lost trust in the consumer.

Even after the FDIC raised the subprime credit score, these mortgage bigwigs refused to play ball. Instead, they opted to stay on the bench and lend to low-risk, easy-to-underwrite applicants.

Does that mean you're SOL? No! It just means you need to perfect the recipe of your mortgage "pie."

You need to work on:

- Cleaning up your credit.
- Finding a job with a decent income.
- Saving up for a nice down payment.

# Chapter 6: It's Not as Bad as You Think

Just because you made some mistakes in your younger years doesn't mean all is lost.

Not. At. All!

If you're motivated to get into a home, ready to clean up your credit, and willing to face all the ramifications of your past actions, then I can help you buy a home—and qualify for other loans without breaking the bank.

Unlike the rest of the industry who thinks, "How quickly can we complete an application?", I look at the process as a human-to-human, person-to-person business. I like to think, "This might take a little bit longer, and I'm fine with that."



Let's look at some myths many people believe to be true—and bust them wide open!

**Myth:** Once you're turned down, everyone will turn you down.

**Truth:** You have to find lenders who are willing to work with you if you have less-than-perfect credit.

**Myth:** You need to hire a credit cleaning company and wait 12-24 months to apply for a loan.

**Truth:** If you correct your credit, you can get a mortgage within six months. And if you keep cleaning up your credit, you can get a better mortgage in the future.

The main reason online credit cleaning companies like to keep you around so long? They like to charge a monthly reoccurring fee. The longer you stay, the more money they make.

Another thing about online credit cleaning companies? They strive to spend less than five minutes a month with you. That equates to no direction or desire to clean up your credit fast.

As your YMC Coach, I have the opposite goal. By concentrating on what is needed to qualify for a mortgage, I aim to help you clean up your credit in ***six months or less.***

**Myth:** You can't dispute items on your credit report.

**Truth:** You can. Most—if not all—credit reports have errors and/or outdated items on them. All of these items can be (and should be) removed from your credit.

Let's look at a real-life example:

Jack needed to refinance his home. He also had a couple of aggressive collection companies after him, *and* he wanted to fix his truck.

Although he had good equity, Jack's low credit score led to three rejections from different lenders.

With my help, Jack closed a loan in 60 days. He also got all the collection companies off his back *and* received money to fix his truck.

How did he do this? Well, I coached him on how to:

- Negotiate with collection companies.
- Clean up his credit so it met the minimum FHA standards.
- Find a lender willing to work with him.

As Jack's YMC Coach, I suggested he avoid:

- Mainstream "Big Bank" companies since their focus is volume and quality credit.

- Traditional mortgage companies, since they focus on closing deals in 30-days. Why? Because they pay their sales staff commissions every 30-days.
- Credit Unions. Most don't have the resources to focus on clients who need a little credit help.

Okay, great. So, Jack was able to improve his credit score and get a loan in 60 days. What about you? What's realistic?

For most people, "realistic" is 90 to 180 days. And it can be for you too as long as you:

- Understand the mistakes you made and the traps you fell into early in life.
- Have an income to support a new loan.
- Learn how to use a broader product mix, more aggressive underwriting, and companies who actually take on extra risks.

I truly believe I can teach you how to negotiate your debt, and how to do it right.

And how to do it *fast!*

# Chapter 7: The Big Bad Collector

We've all been there. We get a call or a letter from a collection agency demanding we pay an overdue bill.

Right. *Now!*

Let's face it, collection companies are *the worst!* They hound and hound us until they get what they want: our money.

And, well, that's their job, so we can't get too upset with them...right?

Although it's tempting to hide from these "baddies," it's also smart to cooperate with them. A paid collection helps improve your credit score, but a collection that disappears completely does wonders for it.

Now, before you run off to pay your collector to boost your score, remember these tips:

- Once a collector gets your money, they'll forget about you the next day. Any verbal agreements you might've made with them will be quickly forgotten.
- Make sure everything is in writing! For example, tell a collector to write the following in your file: "If I pay this, I will be paid in full, settled in full, and you will remove it from my credit report."
- Negotiate at the end of a period since collection agencies work on quarterly or monthly statistics.

Truth be told, collection companies aren't all *that* bad. Although they want your money and they can be obnoxiously persistent about getting it, they're also willing to work with you. If you cooperate with them, they'll cooperate with you.

# Chapter 8: Eight Traps Good People Fall Into

Okay, so now that you have a decent grip on what credit is, and how it affects the mortgage application process, let's dig deeper.

Here are eight traps good people fall into—all the time!

1. Keeping credit card balances too high compared to the amount of credit available. For example, if you have a \$1,000 credit card with a \$900 balance, FICO will think you have financial issues. Not good! Instead, try and keep your balance at \$300 (or 30%). It's safer, smarter, and—from an outsider's perspective—financially healthier.
2. Paying bills late. Surprise, surprise! Lenders will look at your payment history, and if you pay bills late on a regular basis, they're not going to be happy.
3. Thinking credit is out of reach. Guess what? Even if you don't have any credit, you can still get credit. There are people out there who have a total credit score of

zero. In fact, almost 11% of Americans either do not have credit or have too little credit to score. But, it's always available. You just have to work for it.

4. Cosigning for others. It's tempting to help a friend or loved one by cosigning a loan for them. But think before you act. Cosigning has a significant effect on your credit, especially if the person you're cosigning for pays late or carries a high balance. Trust me; if it hurts them, it hurts you.
5. Applying for every card. So, you stroll into a store and the clerk says, "Hey, we'll give you 20% off today if you apply for this card...and this card...and this card..." Pretty soon, you have all these credit pulls. To a creditor, it looks like you're expanding your borrowing, and they'll start shouting, "Code red!" So, stop applying for so much credit.
6. Expecting magic when it comes to correcting your credit problems. Your history is your history. You can't trick or fool people. You must be realistic. Cleaning up your credit history takes time. It also takes acceptance that you put yourself in this position.
7. Closing accounts when they're paid as agreed upon. Believe it or not, it isn't good to close an account that's already open and being paid as agreed. For example,

Jack has five cards, each with a \$500 balance. However, only one is being used. Creditors will say, "Okay, he has \$2,500 available, but he's only using \$500. That means his credit usage is good." If Jack closes the four cards he isn't using, creditors will say, "He has one card, and he owes \$500. His credit usage stinks!"

8. Remembering to have written agreements in place with collection companies and creditors. It's unfortunate, but a lot of these "baddies" are not always the most upstanding individuals. So, play it safe, and put everything in writing.



Just by avoiding these common traps, you'll prevent a lot of credit issues.

Which leads to a smoother, easier, less stressful mortgage application process.

Which leads to more "Yes"s and less "No"s from lenders.

Which leads you to your dream home and a lot more money in your pocket.

# Chapter 9: "How" or "Who"?

We've come to the junction in the road where you must ask yourself:

"How can I figure this out on my own?"

Or:

"Who can I trust to get this done right and fast?"

To get the "How," there are many websites and resources available to help you correct your credit. I suggest you start at [MyFico.com](http://MyFico.com) or one of the three credit bureaus.

Is "How" the right path for you? If you have the time and energy, then yes. Go for it!

But if you want someone who is laser-focused on the home mortgage market, then it's better to ask, "Who?" instead. And that who is me, Your Mortgage Credit Coach.



I'm not like other credit cleaning companies who want to slow down the process and keep you paying for years. No, no, no! I want to help you live the life you've always wanted, starting by getting you into that dream home.

After that, I want to help you with time and resources to keep your score rising to the top.

Up, up, and away!

# Here's How to Buy Your Home Even If You Think You Can't

Credit gets you everywhere these days, so where do you want to go? Because having a low credit score isn't the end of the world.

Not. Even. Close!

Just because you've been turned down by banks and credit unions doesn't mean owning a home is impossible. Every day, I help good people like you get a home mortgage, even if you think you can't.

So, if you have found the information in this book helpful and you'd like to learn more, here are three more ways I can assist you:

1. To download a free PDF of our *Home Mortgage Success* and see how close you are to home ownership, go to **YMCCoach.com/MortgageSuccess**
2. Join us for a conference call and/or live event where we answer all your “how-to” questions. Check out the times at **YMCCoach.com/Times**
3. When you’re ready, email or call us to schedule a quick review. Email us at **Questions@YMCCoach.com** or call us at **720-504-1266**

We are here for you and look forward to helping you lay out a personalized credit plan to homeowner success.

Visit our website at **YMCCoach.com**.

**You Have Made It!**

**From Credit Stress**

**To**

**Home Ownership Success**

# Your Notes

# Your Notes

# Here's How to Buy Your Home Even If You Think You Can't

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So, if you have found the information in this book helpful and you'd like to learn more, here are three more ways I can help:

To download a free PDF of our Home Mortgage Success and see how close you are to home ownership, go to [www.ymccoach.com/mortgagesuccess](http://www.ymccoach.com/mortgagesuccess)

Join us for a conference call and or live event where we answer all your "how-to" questions. Please check out the times at [www.YMCcoach.com/times](http://www.YMCcoach.com/times)

When you're ready, email us or call to schedule a quick review. Email us at [questions@YMCcoach.com](mailto:questions@YMCcoach.com) or call us at **720-504-1266**

We are here for you and look forward to helping you lay out a personalized credit plan to homeowner success.

Visit our website at [www.YMCcoach.com](http://www.YMCcoach.com)



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