

Steps to Take After Being Denied a Mortgage Loan

It's never fun to be turned down for a loan, but before you think you won't be able to get credit anywhere, there are some steps you can take.

Lenders are required by a federal law, The Equal Credit Opportunity Act, to tell you in writing when you've been turned down for credit. Two important pieces of information must be included in the letter you receive when you are denied credit:

- The specific reasons why you were denied credit (or information on how to obtain those reasons); and
- If a credit report was used in making that decision, the name and address of the credit-reporting agency that supplied it.

If you don't understand the reasons given for turning down your application, ask for more information. Sometimes it can be hard to determine exactly why your application was not approved, because these decisions involve a lot of different factors. Don't be shy about asking, though, since the information you receive may help you improve your credit so you can qualify in the future.

You may be denied credit for various reasons, including not meeting the creditor's minimum income requirement or not being at your address or job for the required amount of time.

If your loan application was rejected because of insufficient income to afford the house you want or you have insufficient funds for closing costs and a down payment, you could consider loan programs for low to moderate income borrowers with lower down payment requirements, such as an **FHA** loan or **VA** loan.

If you requested the loan amount which is larger than 95 percent of the appraised property value, the chances are that loan will be denied. In this situation:

- You can try to renegotiate with the seller for the purchase price to lower the loan amount
- Make an additional down payment to cover the difference between the appraised value and purchase price
- If you think the appraiser undervalued the property suggest that the lender reexamine the appraisal

If your loan is turned down because of a poor credit report, you are entitled to a free copy of that report. You must request it within 60 days, so don't wait to order it. Read your report carefully to make sure it is accurate and complete.

Once you have a copy of your credit report, you should check for errors and fix any errors by disputing them with the credit report agency. If you believe that mistakes on your report led to the rejection of your application, you can ask the credit bureau to send a corrected copy to the lender. Follow up with the lender to find out if your application can be reevaluated.

Finally, you can try again. All lenders have different approval standards. Just because you did not get a loan from one financial institution doesn't mean you can't get one somewhere else. Try again with another company. Just don't apply for more than four or five loans in a six-month period.