New Credit Policy: Obama Makes It Easier To Qualify For A Loan Even With Bad Credit

Phyllis Brown April 12, 2013

Obama Makes It Easier to Qualify For a Loan

The Obama administration is making it easier to qualify for a personal loan – even with bad credit – in order to jumpstart a lagging economic recovery. Will this new credit policy trickle down to the average consumer? And how does the average consumer decipher the confusing and conflicting reports about the economy, credit repair and the numerous loan options available to consumers with bad credit?

(Newswire.net -- April 12, 2013) New York, New York -- A recent ***Washington Post*** article reported, *"The Obama administration is engaged in a broad push to make more home loans available to people with weaker credit, an effort officials say will help power the economic recovery."* The article goes on to state that the, "…*housing rebound is leaving too many people behind, including individuals with credit records weakened by the recession."* In order to resolve this disparity, "…*they are working to get banks to lend to a wider range of borrowers."*

Unfortunately, government initiatives like these softer lending policies don't always work their way down to the average American, especially those who have struggled to maintain a high credit score during these tough economic times. For many Americans it's going to be a long journey back to personal financial recovery. According to ***The Federal Reserve*** the average credit card debt per household in 2012 was $15,799, and 56% were not able to pay the balance in full each month. When asked about their financial situation 14.7% said their current credit card debt was still more than 40% of their annual income, and they didn't know how long it would take them to pay it off.

A good first step for some consumers is a credit counseling service to help improve their credit report. A higher credit score earns a lower interest rate, making it less expensive to repay the loan. There are a variety of credit counseling services to satisfy consumer demand for both credit education and credit repair. The goal of debt consolidation is to pay the debt in full in order to avoid bankruptcy. Consolidation companies claim they can reduce credit card debt by as much as 50% by negotiating with lenders on behalf of their clients. Then they consolidate the remaining debt into one monthly payment with a plan to pay in full within 12-36 months. There are some restrictions. For example, the credit card debt must still be owed to the lender, not to a collections agency.

It's important for consumers to research before they buy. Length of time in business and a good rating with the ***Better Business Bureau*** are both good indicators.

In these tough economic times many people may still need a short-term personal loan, while they're in the process of repairing their credit. There are a number of alternatives even for consumers with less than perfect credit. These lending companies work much faster with more flexible terms than traditional banks, and are referred to as payday loans or online cash advance loans. There are no credit checks, a short-form application process, almost instant yes/no decisions, and funds within 24 hours.

These lenders have a reputation for catering to consumers with bad credit, but almost 40% of the loans are for people with good credit who want to move more quickly than a traditional bank. Again there are restrictions. Most lenders require the borrower to be employed with after tax pay of at least $1,000 per month, and an open checking account where the funds can be directly deposited via wire transfer.

Again it's important for consumers to research before they buy. The lender should provide complete details on interest rate and repayment terms, and they should have a clean record with the ***Better Business Bureau*** .