



Bankruptcies, Foreclosures & Short Sales

The following are to be used as guide for determining a buyer's potential mortgage eligibility. Please note that guidelines may vary per lender.

Bankruptcy

FHA Loans

Chapter 7

- Discharged for at least 2 years.
- Good Credit must have been re-established.

Chapter 13

- If the applicant has finished making all payments satisfactorily, the lender may conclude that the applicant has reestablished satisfactory credit.
- If the applicant has satisfactorily made at least 12 months' worth of the payments and the Trustee or the Bankruptcy Judge approves of the new credit, the lender may give favorable consideration.

VA Loans

Chapter 7

- If the bankruptcy was discharged more than 2 years ago, it may be disregarded.

Chapter 13

- If the applicant has finished making all payments satisfactorily, the lender may conclude that the applicant has reestablished satisfactory credit.

Same as FHA with 12 month history.

CONV

Chapter 7

- Minimum of four years after the bankruptcy has been fully discharged. The borrower must have reestablished credit and demonstrated the ability to manage financial affairs.

Chapter 13

- Minimum of two years after the bankruptcy has been fully discharged. The borrower must have reestablished credit and demonstrated the ability to manage financial affairs.

Foreclosure

FHA

- Minimum of three years from paid claim date, unless extenuating circumstances exist, such as:
 - Loss of employment due to regional long-term economic slowdowns.
 - Death of principal wage earner.
 - Re-establish good credit
 - Able to obtain a CAIVRS#

VA

- Minimum of two years and must re-establish good credit.
 - Able to obtain a CAIVRS#

CONV

- Minimum of five years and must show that borrower has re-established good credit and demonstrated the ability to manage financial affairs.
 - Additional Requirements after 5 years up to 7
 - Primary allowed with 10% down & 680 credit
 - Second home and Investment not allowed
 - DEED-IN-LIEU - Four years

Short Sales

FHA

- Minimum of 3 years from short sale date

VA

- VA Short Sales are called "Offers in Compromise", "Compromise Claims" or "Compromise Sales". VA lender handbook does not provide a hard and fast rule on the subject.

CONV

- Minimum of 2 years from short sale date

***** Please note that exceptions apply in all cases as situations do vary per client. Please discuss with your loan officer*****

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