

Waiting Periods Required For Significant Adverse Credit Events

Thousands of home owners were forced to foreclose, short sale or even declare bankruptcy as a result of the recession related hardships. Despite these hard times, there is a light at the end of the tunnel for borrowers looking to become homeowners once again.

The list below is a general guide for those with past credit events to help determine eligibility.



CONVENTIONAL LOAN (FNMA)

Credit Event	Waiting Period	Waiting Period with Extenuating Circumstances	Waiting Period Start Date	Waiting Period End Date
Bankruptcy Chapter 7 or 11	4 years	2 years	Discharge or Dismissal	Credit Report
Bankruptcy Chapter 13	2 years	2 years	Discharge Date	Credit Report
	4 years	2 years	Dismissal Date	Credit Report
Multiple Bankruptcies in past 7 years	5 years	3 years (FNMA)	Most recent discharge or dismissal date	Credit Report
Foreclosure	7 years Update: If debt was discharged via bankruptcy, waiting periods listed above for bankruptcy apply.	3 years - Max LTV 90%*; Purch - principal residence only*; Refi - any property type* 2 years if debt discharged via bankruptcy	Completion date	Disbursement
Short Sale / Deed in Lieu of Foreclosure	4 years	2 years	Completion date or execution date	Disbursement

CONVENTIONAL LOAN (FHLMC)

Credit Event	Waiting Period	Waiting Period with Extenuating Circumstances	Waiting Period Start Date	Waiting Period End Date
Bankruptcy other than Chp 13	4 years	2 years	Discharge or Dismissal	Application
Bankruptcy Chapter 13	2 years	2 years	Discharge Date	Application
	4 years	2 years	Dismissal Date	Application
Multiple Bankruptcies in past 7 years	5 years	3 years	Most recent discharge or dismissal date	Application
Foreclosure	7 years	3 years - Max LTV 90%*; Purch - principal residence only*; Refi - any property type*	Completion date	Application
Short Sale / Deed in Lieu of Foreclosure	4 years If short sale or deed-in-lieu in past 7 years then: Max LTV 90%*; Purch - principal residence only*; Refi - any property type	2 years - Max LTV 90%*; Purch - principal residence only*; Refi - any property type*	Completion date (short sale) Execution date (deed-in-lieu)	Application

* LTV requirement for future mortgage transaction. Extenuating Circumstances are events beyond the borrower's control and must be verified with third-party documentation. See definitions on last page.

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FHA LOAN

Credit Event	Waiting Period	Waiting Period with Extenuating Circumstances	Waiting Period Start Date	Waiting Period End Date
Bankruptcy Chapter 7 or 11	2 years	1-2 years	Discharge or Dismissal	Closing Date
Bankruptcy Chapter 13	2 years OR - 1 yr of BK payout period has elapsed - All payments made on time - Written permission from BK court to enter into mortgage transaction.	N/A	Discharge Date	Closing Date
Deed in Lieu of Foreclosure	3 years	< 3 years U/W exception is req.	Ownership transfer date	Application
Short Sale	3 yrs if in default at time of short sale; no waiting period if all credit was current at time of short sale.	< 3 years U/W exception is req.	Date of Sale	Application
Foreclosure	3 years	< 3 years U/W exception is req.	The later of - Ownership transfer date - Settlement paid claim	Clear to Close

VA LOAN

Credit Event	Waiting Period	Waiting Period with Extenuating Circumstances	Waiting Period Start Date	Waiting Period End Date
Bankruptcy Chapter 7 or 11	2 years	1-2 years if: Satisfactory credit has been reestablished and the BK was caused by extenuating circumstances.	Discharge Date	Closing Date
Bankruptcy Chapter 13	All payments complete OR - 1 yr of BK payout period has elapsed - All payments made on time - Written permission from BK court to enter into mortgage transaction.	N/A	Discharge Date	Closing Date
Deed in Lieu of Foreclosure	2 years. Ensure the COE reflects sufficient entitlement.	1 year	Completion date	Closing Date
Short Sale	1 year w/reestablished credit. Ensure the COE reflects sufficient entitlement.	1 year	Completion date	Closing Date
Foreclosure	2 years. Ensure the COE reflects sufficient entitlement.	1 year	Completion date	Closing Date

USDA LOAN

Credit Event	Waiting Period	Waiting Period with Extenuating Circumstances	Waiting Period Start Date	Waiting Period End Date
Bankruptcy Chapter 7 or 11	3 years	N/A	Discharge or Dismissal	Application
Bankruptcy Chapter 13	3 years OR - 1 yr of BK payout period has elapsed - All payments made on time - Written permission from BK court to enter into mortgage transaction.	N/A	Discharge Date	Application
Deed in Lieu of Foreclosure	3 years - Credit waiver required	1 year if no loss of security	Ownership transfer date	Application
Short Sale	3 years - Credit waiver required	1 year if no loss of security	Date of sale	Application
Foreclosure	3 years - Credit waiver required	1 year if no loss of security	Ownership transfer date	Application

DEFINITIONS:

Foreclosure: Home was given back to the bank – No owner participation

Short Sale: Home sold but sales price didn't cover amount owed.

Deed in Lieu of Foreclosure: Home returned to lender in exchange for canceling loan

Bankruptcy Chapter 7: Debts are discharged through BK, client does not pay any debts owning

Bankruptcy Chapter 13: Debts are paid back on a monthly scheduled payment plan by client

Examples of acceptable extenuating circumstances (circumstances must be verified and documented):

1. Conventional: Nonrecurring events that are beyond the borrower's control that result in a sudden significant, and prolonged reduction in income or a catastrophic increase in financial obligations.

2. FHA: Serious illness or death of a wage earner. Divorce and the inability to sell a property due to a job transfer or relocation to another area does not qualify as an acceptable extenuating circumstance.

3. VA: Unemployment, prolonged strikes, medical bills not covered by insurance, etc. Divorce is not viewed as beyond the control of the borrower and/or spouse.

4. USDA: Loss of a job, delay or reduction in government benefits or other loss of income; increased expenses due to illness, death, etc. Circumstances surrounding the adverse information must have been temporary in nature, and beyond the applicant's control, and have been removed so their recurrence is unlikely or the adverse action or delinquency was the result of a refusal to make full payment because of defective goods or services or as a result of some other justifiable dispute relating to the goods or services purchased or contracted for.

