



Foreclosures, Bankruptcy and Home Loans

Many people ask me if you can buy a home after having financial difficulties. Even without a prior foreclosure or bankruptcy you still have to jump through the hoops following your credit score.

Your credit score determines the cost of your loan and, of course, may lead to outright denial of financing depending on how bad it is. However, don't be discouraged from visiting your favorite lender to discuss what sort of home loan you might be eligible for. There are many varieties of programs that will surprise you in spite of your personal circumstances.

Foreclosure: If you lost a previous home to foreclosure you may have to wait up to 7 years for a new Conventional loan, up to 3 years for an FHA loan and up to 2 years for a VA loan. If there were extenuating circumstances leading to the foreclosure exceptions can be granted, but every case and every loan program has different guidelines to determine if the wait-

ing period can be shortened.

Bankruptcy: This is even more complicated because there are 3 kinds of bankruptcies - Chapter 7, Chapter 11 and Chapter 13. You really need a Bankruptcy Attorney to advise you on which is best for you.

Individuals often file Chapter 13 and, as a rule of thumb, you will likely have to wait 4 years from the dismissal date for a conventional loan. However, FHA and VA are rather looking at your payment history of the debts you are paying off during the Chapter 13 procedure. A good one-year track record may enable you to apply for an FHA or VA loan.

Chapter 7 is the other possible bankruptcy you may have chosen (quicker than Chapter 13 but different rules), since Chapter 11 is generally used for a business. With Chapter 7 in your life you are probably looking at 4 years and possibly 5 years for a conventional loan. FHA and VA will look at you after 2 years.

This may sound awfully complicated, and it is, because bankruptcies are complicated. As with a foreclosure, lenders can sometimes reduce your time in the waiting room if there were extenuating circumstances that caused your financial difficulty.

The bottom line is that you should visit a lender if 2 years has passed from your financial problem, be it a foreclosure or a bankruptcy. Even if you are not immediately eligible for a loan, at least you will have the roadmap to owning your next home.

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