

When it comes to repairing credit and applying for a home loan the underwriting philosophy can be summed up in one phrase. “A period of financial difficulty in the past does not necessarily make the risk unacceptable if a good payment record has been maintained since”. The key after going through financial hardships is to establish new credit and to maintain it. This can’t be stressed enough.

Government agencies that underwrite and insure loans have timelines after a specific credit altering event before a potential homebuyer can be approved for a home loan. As an example, with foreclosures, died-in-lieu and short sales the time frame with FHA is 3 years. For bankruptcies the timeframe is 2 years. Conventional loans are 2 to 3 years longer in most cases. There are extenuating circumstances that would allow the borrower to be approved in a shorter time period but those approvals are very difficult to come by.

Sometimes borrowers do not have any credit which also can make getting a home loan challenging. The standard industry guidelines request everyone to have a minimum of 12 months of credit history on three traditional credit references. These would be auto and student loans along with credit cards. When a borrower does not meet the minimum standard then FHA allows lenders to establish a nontraditional credit history.

If the borrower does not have any revolving or installment debt on their credit report the lender is required to substantiate payments to other credit references. These may include: rental housing, gas company, electricity, water, landline home telephone service and cable TV. 12 months of cancelled checks are generally requested. In addition, insurance bills, furniture payments, medical bills and cell phone services may also be utilized.

Establishing and maintaining good credit has become more important than ever before when applying for a home loan.

Consult a Kevin Budde team member for additional information.

When it comes to repairing credit and applying for a home loan the underwriting philosophy can be summed up in one phrase. “A period of financial difficulty in the past does not necessarily make the risk unacceptable if a good payment record has been maintained since”. The key after going through financial hardships is to establish new credit and to maintain it. This can’t be stressed enough.

Government agencies that underwrite and insure loans have timelines after a specific credit altering event before a potential homebuyer can be approved for a home loan. As an example, with foreclosures, deed-in-lieu and short sales the time frame with FHA is 3 years. For bankruptcies the timeframe is 2 years. Conventional loans are 2 to 3 years longer in most cases. There are extenuating circumstances that would allow the borrower to be approved in a shorter time period but those approvals are very difficult to come by.

Sometimes borrowers do not have any credit which also can make getting a home loan challenging. The standard industry guidelines request everyone to have a minimum of 12 months of credit history on three traditional credit references. These would be auto and student loans along with credit cards. When a borrower does not meet the minimum standard then FHA allows lenders to establish a nontraditional credit history.

If the borrower does not have any revolving or installment debt on their credit report the lender is required to substantiate payments to other credit references. These may include: rental housing, gas company, electricity, water, landline home telephone service and cable TV. 12 months of cancelled checks are generally requested. In addition, insurance bills, furniture payments, medical bills and cell phone services may also be utilized.

Establishing and maintaining good credit has become more important than ever before when applying for a home loan.

Consult a Kevin Budde team member for additional information.

(949) 363 – 2305 (Bank of America)

969EFFCC-2B4C-42EE-A12D-2A4779BFE590

1.03.01