

How Soon Can You Buy after a Short Sale or Foreclosure?

In our current economic environment, we have seen an unprecedented increase in foreclosures, deed in lieu of foreclosures and short sales of home mortgages across the United States. Many homeowners are losing their homes due to many reasons including job loss, unexpected medical expenses and life circumstances. Fast forward to changed circumstances, those homeowners are now in a position to buy a home again. The mortgage lender will look at the type of circumstance that led to loss of the home and what the potential buyer has accomplished since the foreclosure or short sale.

Financial mismanagement

If a foreclosure or a deed in lieu of foreclosure occurred due to financial mismanagement, the buyer must meet the following requirements to be eligible to purchase a home:

- A minimum of four years for a deed in lieu of foreclosure and five years for a foreclosure must have elapsed from the discharge or completion date of the foreclosure.
- Allowed purchase must be for a primary residence purchase.
- Ten percent minimum down payment will be required.
- Minimum credit score of 680 is required along with evidence of buyer having re-established an acceptable credit history.

Extenuating circumstances

If a foreclosure or deed in lieu of foreclosure occurred due to extenuating circumstances, the buyer must meet the following requirements to be eligible to purchase a home:

- A minimum of two years for a deed in lieu of foreclosure and three years for foreclosure must have elapsed from a discharge or completion date of the foreclosure.



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What about a foreclosure?

The allowed purchase must be for a primary purchase when a foreclosure has occurred. If there was a deed in lieu of foreclosure, the buyer may purchase a primary residence, second home or investment property with a required minimum down payment for the transaction.

- Ten percent minimum down payment will be required for primary residence purchase.
- Minimum credit score of 620 is required along with acceptable evidence buyer has re-established an acceptable credit history.
- The borrowers must provide a detailed letter of explanation outlining the reasons that caused the financial difficulties beyond their control, and what has changed since to insure that the borrower will not be a repeat offender.

What about a short sale?

For buyers who have sold a home previously by a short sale, the guidelines for future purchase are slightly different and less stringent.

- If the short sale occurred due to financial mismanagement, they must wait a minimum of four years from the date of the short sale.
- Minimum credit score of 680 is required along with acceptable evidence buyer has re-established an acceptable credit history.

A short sale with extenuating circumstances?

If the short sale occurred due to extenuating circumstances, they would need to wait a minimum of two years.

- The borrower would need to write a detailed letter of explanation outlining the reasons for the financial difficulties that were beyond their control and what has changed demonstrating that the circumstance that caused the difficulty is unlikely to recur.
- Supporting documentation with the letter would also be required. Most importantly, the buyer would have to show there was no unacceptable credit prior to the problems.

It's no mystery that selling your home as a short sale is a much better option than a foreclosure or a deed in lieu of foreclosure. In either instance homeowners will experience heartache and stress as they go through the process. Following the guidelines above gives assurance that there is opportunity to purchase another home in the future.

Cindy Barker is the Branch Manager for Gibraltar Mortgage LLC, an affiliate of Wells Fargo. She is eager to answer your questions or help you obtain a mortgage. Contact Cindy at 904-268-6009 or at cynthia.barker@wellsfargo.com.

