

Buying Home After Filing Bankruptcy



Bankruptcy

- Worst Case Scenario – Bankruptcy
- Bankruptcy is a legal status of a person or other entity that cannot repay the debts it owes to creditors
- Types: Chapter 7, 13, 11

Chapter 7 Or 13

- In a chapter 7 bankruptcy, the trustee directed your assets to be liquidated and distributed to your creditors in exchange for a complete discharge of all of your debts. This is the 'clean slate' form of bankruptcy
- If you filed under chapter 13, the court consolidated your debts and set up a payment plan. After regular payments for three to five years, the balance of your debts was discharged. The courts often refer to this as a 'wage earner's plan'

FHA Back To Work Program

- The Federal Housing Administration's Back to Work – Extenuating Circumstances mortgage loan program shortens the waiting period to buy a home to as little as one year after you've had a bankruptcy, foreclosure, deed in lieu of foreclosure, or short sale

Qualifications

- You will need to explain how the financial hardship was something beyond your control that reduced your income or caused you to lose employment
- If your household income dropped by 20% or more for at least six months, it may count for this type of financial hardship
- To re-establish credit you must have a 12 month record of on-time rental housing payments with no delinquencies, and not have been 30 days late on more than one non-housing loan payment

How To Get Started?

- To start an application with a FHA-lender you must first take a 'Pre-Purchase Counseling' course with a HUD approved housing counseling agency 30 days before you start the application
- A certified counselor will assess your debt, ability to afford the mortgage, features of the mortgage, and explain the process
- Example: Springboard is a HUD-approved housing counseling agency, and can help you make sure you have done everything you need to do to access the program
- You will need to complete your counseling at least 30 days

buying a

Buying a home with zero money
down

down payment

