Timeframe for Borrowers to be Eligible for Financing after Adverse Credit Event

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Conventional/ FNMA/ Freddie Mac

Foreclosure

If a foreclosure occurs as the result of extenuating circumstances, such as a loss of job or illness, or if the foreclosure is due to financial negligence or mismanagement, at least seven years must have elapsed from the date of foreclosure to the date of closing of the new transaction.

Short Sale, Pre-Foreclosure and Deed-in-Lieu

a. If a short sale, pre-foreclosure or deed-in-lieu occurs as the result of extenuating circumstances, such as a loss of job or illness, at least two years must have elapsed from the date of closing on the short sale, pre-foreclosure or deed-in-lieu to the end date of closing of the new transaction with a maximum LTV of 90%.

b. If the short sale, pre-foreclosure or deed-in-lieu is due to financial negligence or mismanagement, at least two years must have elapsed from the date of closing on the short sale, pre-foreclosure or deed-in-lieu to the date of closing of the new transaction with a maximum LTV of 80%. At least four years must have passed for a maximum LTV of 90%, and at least seven years must have passed for no restrictions on LTV.

Bankruptcy

Chapter 7 or 13 Bankruptcy: 4 years since discharge/dismissal

Chapter 7 or 13 Bankruptcy with extenuating circumstances: 2 years since discharge/dismissal

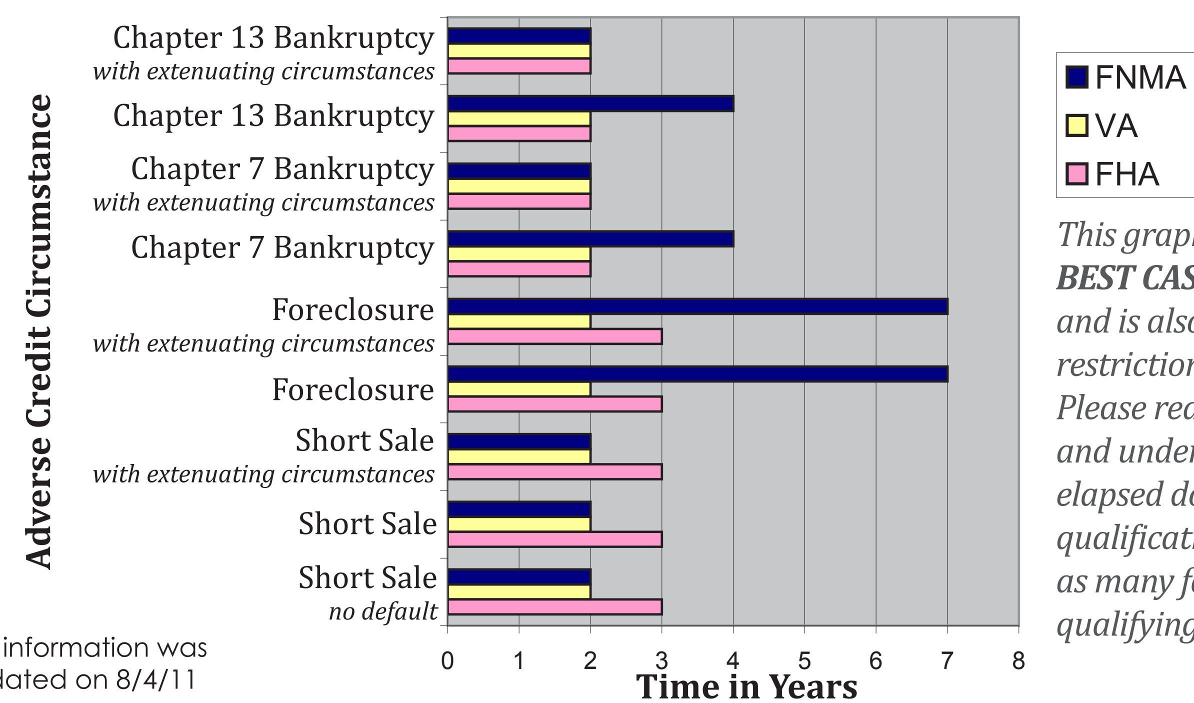
Borrowers with multiple BK filings in last 7 years: 60 months since most recent discharge/ dismissal

VA

Foreclosure, Short Sale and Bankruptcy

In general, financing can be done two years after the adverse credit hit for a loan amunt up to $417,000 or seven years for loan amounts over $417,000. If the foreclosure was on a VA loan, the applicant may not have full entitlement available for the new loan.

Time After Adverse Credit Hit before New Transaction



*This graph reflects the **BEST CASE SCENARIO** and is also subject to LTV restrictions in some cases. Please read entire handout and understand that the time elapsed does not guarantee qualification for the loan, as many factors go into qualifying.*

This information was updated on 8/4/11

Continued on the reverse side...

FHA

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Short Sale

A borrower is not eligible for a new FHA-insured mortgage if s/he pursued a short sale agreement on his or her principal residence simply to

a. take advantage of declining market conditions, and

b. purchase at a reduced price a similar or superior property within a reasonable commuting distance.

Borrowers Current at the time of Short Sale

A borrower is considered eligible for a new FHA-insured mortgage if, from the date of loan application for the new mortgage

a. all mortgage payments due on the prior mortgage were made within the month due for the 12 month period preceding the short sale, and

b. all installment debt payments for the same time period were also made within the month due.

Borrowers in Default at the time of Short Sale

A borrower in default on his or her mortgage at the time of the short sale (or pre-foreclosure sale) is not eligible for a new FHA-insured mortgage for three years from the date of the pre-foreclosure sale.

Note: A borrower who sold his or her property under FHA's pre-foreclosure sale program is not eligible for a new FHA-insured mortgage from the date that FHA paid the claim associated with the pre-foreclosure sale.

Foreclosure

A borrower is generally not eligible for a new FHA-insured mortgage when, during the previous three years

a. his/her previous principal residence or other real property was foreclosed, or

b. he/she has given a deed-in-lieu of foreclosure.

Bankruptcy

Chapter 7 Bankruptcy

A Chapter 7 bankruptcy (liquidation) does not disqualify a borrower from obtaining an FHA-insured mortgage, if at least two years have elapsed since the date of the discharge of the bankruptcy. During this time, the borrower must

a. have reestablished good credit, or

b. chosen not to incur new credit obligations.

An elapsed period of less than two years, but no less than 12 months may be acceptable for an FHA-insured mortgage, if the borrower

a. can show that the bankruptcy was caused by extenuating circumstances beyond his/her control, and

b. has since exhibited a documented ability to manage his/her financial affairs in a responsible manner.

Note: The lender must document that the borrower's current situation indicates that the events that led to the bankruptcy are not likely to recur.

Chapter 13 Bankruptcy

A Chapter 13 bankruptcy does not qualify a borrower from obtaining an FHA-insured mortgage, provided that the lender documents that

a. one year of the payout period under the bankruptcy has elapsed, and

b. the borrower's payment performance has been satisfactory and all required payments have been made on time.

The borrower must receive written permission from the court to enter into the mortgage transaction.

Total Scorecard Recommendation: Lender documentation must show two years from the discharge date of a Chapter 13 bankruptcy or the loan must be referred to an underwriter