

BOOMERANG BUYER SURVIVAL GUIDE

A Complete Guide to Buying or
Refinancing a Home After a
Bankruptcy, Foreclosure, Short
Sale or Deed in Lieu





Boomerang Buyer Overview

Common challenges and solutions to buying a home after financial hardship

When Can I Buy Again?

I get this question several times a day. It can seem confusing at first, but it's actually quite simple. The biggest mistake that most folks make is focusing on the events that led up to the hardship.

The reality is, the events leading up to the actual hardship have very little to do with the timeline for when you can buy again. "When and How" the hardship occurs is more important than what led up to the hardship.

Mortgage Included in Bankruptcy

This is where most of the confusion happens when there is a mortgage included in your bankruptcy. Including a mortgage in bankruptcy does not mean that you no longer have a mortgage.

It simply means that *in the event of default* you would not be held responsible for any taxable event due to the lender taking a loss, the lender cannot pursue a deficiency judgement against you, and it cannot be reported on your credit report.

YOU ARE STILL THE OWNER OF THE HOME if you include your mortgage in a bankruptcy. Title is still in your name, and the lender is allowed to keep the lien in place, or begin foreclosure actions **IF YOU STOP MAKING PAYMENTS** on the loan.

Timing is Everything

"When" you can buy again depends on not only when your hardship occurred, but what type of loan you are trying to qualify for.

For instance, in some cases, you could be eligible for a home loan literally **ONE DAY** after a foreclosure, short sale, or deed in lieu of foreclosure.

If using Conventional or USDA financing, it's possible to only have to meet the Bankruptcy waiting period, and it does not matter when the foreclosure, short sale, or deed in lieu of foreclosure happens, as long as it happens.

For questions about qualifying, email: Scott@FindMyWayHome.com

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Boomerang Buyer Timeline Cheat Sheet

Buying after Financial Hardship is determined by the Type of Loan you are using

Conventional Financing (Fannie Mae or Freddie Mac)

- 4 Years – Chapter 7 Bankruptcy Discharge Date*
- 2 Years – Chapter 13 Bankruptcy Discharge Date*
- 4 Years – Short Sale or Deed in Lieu of Foreclosure (not discharged in BK)
- 7 Years – Foreclosure (not discharged in BK)

*If mortgage discharged & lien removed (foreclosure, short sale or DIL) use BK discharge date as timeline

FHA Financing

- 2 Years – Chapter 7 Bankruptcy Date
- 1 Year – Chapter 13 Bankruptcy Date
- 3 Years – Short Sale / Deed in Lieu of Foreclosure
- 3 Years – Foreclosure

FHA considers BK Lien removal (foreclosure, short sale, or DIL) as separate events with separate waiting periods.

VA Financing

- 2 Years – Chapter 7 Bankruptcy Date
- 1 Year – Chapter 13 Bankruptcy Date
- 2 Years – Foreclosure / Deed in Lieu of Foreclosure
- No Waiting Period after Short Sale with Approve/Eligible

VA considers BK Lien removal (foreclosure or DIL) as separate events with separate waiting periods.

USDA Financing

- 3 Years – Chapter 7 Bankruptcy Date
- 3 Year – Chapter 13 Bankruptcy Date
- 3 Years – Short Sale / Deed in Lieu of Foreclosure
- 3 Years – Foreclosure

*If mortgage discharged & lien removed (foreclosure, short sale or DIL) use BK discharge date as timeline

Portfolio Lending

- Up to 90% Loan to Value with 700 FICO Scores
- Available as soon as 1 day out of BK, foreclosure, DIL or short sale
- Good short term solution to get into home now – Refi later when you are eligible

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Boomerang Buyer Documentation Checklist

Important documentation that your lender will need to review for loan approval

Bankruptcy Documentation

- **Bankruptcy Petition** – all schedules
- **Bankruptcy Discharge** – showing discharge date
- **Certificate of Notice** – you may have to get this from your attorney or the court. This document lists all of the creditors that the court has mailed notice of the discharge of the debt. If you checked “intent to retain” on your BK petition, the notice to creditors is your proof that you did not retain, and that the mortgage was indeed included, and discharged through the bankruptcy. See attached sample of Certificate of Notice.

Foreclosure Documentation

- Address of foreclosed property(s)

Short Sale Documentation

- Final HUD-1 Settlement Statement from short sale
- Address of short sold property(s)

Deed in Lieu Documentation

- Address of property(s)

Finding The Right Lender to Help

Many folks I speak to filed for bankruptcy, or ended up with a foreclosure, short sale, or deed in lieu of foreclosure despite your best efforts to not lose your home during your financial hardship.

Regardless of what your intentions were as you were in the thick of your hardship, the conclusion is not always something you have control over. It is for this reason that sometimes the timelines documentation doesn't always tell the whole story.

The challenge with many of these situations is that it is very easy for an inexperienced lender to provide you with a “false” approval, or a “false” loan denial due to a lack of experience with this type of situation.

In cases where a mortgage is discharged through bankruptcy, it will stop reporting on your credit report, and may trick inexperienced lenders into giving you false options.

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Northern District Of Ohio
U.S. Bankruptcy Court
Fed Bldg & US Courthouse
10 East Commerce Street
Youngstown, OH 44503

In re:

XXXXXXXXXX
XXXXXXXXXX

Case No.: 10-41990-kw

Chapter: 7

Address:

XXXXXXXXXXXXXXXXXX
Rock Creek, OH 44084

Last four digits of Social Security No.:

xxx-xx-1842
xxx-xx-0030

**DISCHARGE OF DEBTOR
IN A CHAPTER 7 CASE**

It appearing that the debtor is entitled to a discharge, **IT IS ORDERED:** The debtor is granted a discharge under section 727 of title 11, United States Code, (the Bankruptcy Code).

Dated: October 1, 2010
Form ohnb234

/s/ Kay Woods
United States Bankruptcy Judge

SEE THE BACK OF THIS ORDER FOR IMPORTANT INFORMATION

Sample of Chapter 7 Bankruptcy Discharge Notice

CERTIFICATE OF NOTICE

District/off: xxxxxx
Case: xxxxxx

User: xxxx
Form ID: 234a

Page 1 of 2
Total Noticed: 39

Date Rcvd: Oct 01, 2010

The following entities were noticed by first class mail on Oct 03, 2010.

+
aty Suhar & Macejko LLC, PO Box 1497, Youngstown, OH 44501-1497
19622760 +Aes, Po Box 2461, Harrisburg, PA 17105-2461
19622761 +Akron Billing Center, 2620 Ridgewood Rd, Ste. 300, Akron, OH 44313-3500
19622762 +Bac Home Loans Servici, 450 American St, Simi Valley, CA 93065-6285
19984716 +C/O Sallie Mae, Inc., 220 Lasley Ave, Wilkes-Barre, PA 18706-1496
19915621 Capital One Bank (USA), N.A., by American Infosource Lp As Agent, PO Box 248839,
Oklahoma City, OK 73124-8839
19622765 +Chase, Po Box 6004, Ridgeland, MS 39158-6004
19922687 +EduCap Inc., 21680 Ridgetop Cir., Sterling, VA 20166-6590
19622776 +Innovative Health Services, 8252 Darrow Road, Ste A, Twinsburg, OH 44087-2392
19880657 +KEYBANK, C/O WELTMAN, WEINBERG & REIS, 323 W. LAKESIDE AVE., 2ND FL,
CLEVELAND, OH 44113-1085
19622777 +Key Bank, 17 Corporate Woods Blvd, Albany, NY 12211-2345
19622778 +Loan To Learn, 21680 Ridgetop Cir, Sterling, VA 20166-6590
19622780 +MYOD Holdings Inc, 590 Madison Ave Fl 13, New York, NY 10022-8535
19945417 +PYOD LLC its successors and assigns as assignee of, Citibank, NA,
c/o Resurgent Capital Services, PO Box 19008, Greenville, SC 29602-9008
19622781 +Primary Health Care of Ashtabula, 5266 St Rte 45, Rome, OH 44085-9404
19622782 +Sallie Mae, Po Box 9500, Wilkes-Barre, PA 18773-9500
19918874 ++US BANK, PO BOX 5229, CINCINNATI OH 45201-5229
(address filed with court: US Bank N.A., P.O. Box 5229, Cincinnati, OH 45201)
19622784 ++US BANK, PO BOX 5229, CINCINNATI OH 45201-5229
(address filed with court: Us Bank/Na Nd, 4325 17th Ave S, Fargo, ND 58125)
19622785 +Us Dept Of Education, Po Box 5609, Greenville, TX 75403-5609

The following entities were noticed by electronic transmission on Oct 01, 2010.

19858462 EDI: AIS.COM Oct 01 2010 18:38:00 American Infosource Lp As Agent for,
World Financial Network National Bank As, Giant Eagle, PO Box 248872,
Oklahoma City, OK 73124-8872
19622763 +EDI: BANKAMER2.COM Oct 01 2010 18:38:00 Bank Of America, Po Box 17054,
Wilmington, DE 19850-7054
19622764 +EDI: CAPITALONE.COM Oct 01 2010 18:38:00 Cap One, Po Box 85520, Richmond, VA 23285-5520
19622766 +EDI: CHASE.COM Oct 01 2010 18:38:00 Chase, Po Box 15298, Wilmington, DE 19850-5298
19896693 EDI: CHASE.COM Oct 01 2010 18:38:00 Chase Bank USA, N.A., PO Box 15145,
Wilmington, DE 19850-5145
19622767 +EDI: CITICORP.COM Oct 01 2010 18:38:00 Citi, Po Box 6241, Sioux Falls, SD 57117-6241
20010588 EDI: FORD.COM Oct 01 2010 18:43:00 Ford Motor Credit Company LLC, Dept 55953,
P O Box 55000, Detroit MI 48255-0953
19622768 +EDI: FORD.COM Oct 01 2010 18:43:00 Ford Cred, Po Box Box 542000, Omaha, NE 68154-8000
19968124 EDI: RMSC.COM Oct 01 2010 18:38:00 GE Money Bank, c/o Recovery Management Systems Corporat,
25 SE 2nd Ave Suite 1120, Miami FL 33131-1605
19622769 +EDI: RMSC.COM Oct 01 2010 18:38:00 Gemb/Alvins Jeweler, Po Box 981439,
El Paso, TX 79998-1439
19622770 +EDI: RMSC.COM Oct 01 2010 18:38:00 Gemb/Amazon, Po Box 981400, El Paso, TX 79998-1400
19622771 +EDI: RMSC.COM Oct 01 2010 18:38:00 Gemb/Gapdc, Po Box 981400, El Paso, TX 79998-1400
19622772 EDI: RMSC.COM Oct 01 2010 18:38:00 Gemb/Ge Money Bank Low, Po Box 103065,
Roswell, GA 30076
19622773 +EDI: RMSC.COM Oct 01 2010 18:38:00 Gemb/Sams Club Dc, Po Box 981400,
El Paso, TX 79998-1400
19622774 +EDI: RMSC.COM Oct 01 2010 18:38:00 Gembppbycr, Po Box 981064, El Paso, TX 79998-1064
19622775 +EDI: HFC.COM Oct 01 2010 18:38:00 Hsbc/Nautl, 90 Christiana Rd, New Castle, DE 19720-3118
19622779 +EDI: TSYS2.COM Oct 01 2010 18:38:00 Mcydsnb, 9111 Duke Blvd, Mason, OH 45040-8999
19622783 +EDI: CITICORP.COM Oct 01 2010 18:38:00 Thd/Cbsd, Po Box 6497, Sioux Falls, SD 57117-6497
19622786 +EDI: WFNNB.COM Oct 01 2010 18:38:00 Wfnnb/Giant Eagle, Po Box 182685,
Columbus, OH 43218-2685

TOTAL: 19

***** BYPASSED RECIPIENTS *****

NONE.

TOTAL: 0

Addresses marked '+' were corrected by inserting the ZIP or replacing an incorrect ZIP.
USPS regulations require that automation-compatible mail display the correct ZIP.

Addresses marked '++' were redirected to the recipient's preferred mailing address
pursuant to 11 U.S.C. 342(f)/Fed.R.Bank.PR.2002(g)(4).

Sample of Certificate of Notice



Boomerang Buyer Frequently Asked Questions

Common questions and answers about buying a home after financial hardship

Q: Can I shorten the waiting period from my bankruptcy, foreclosure, short sale or deed in lieu of foreclosure?

A: When you are the victim of a one-time event that was completely outside your control, this is called an “extenuating circumstance”.

Conventional and FHA loans allow for shortened waiting periods if you can meet the requirements for documenting an extenuating circumstance.

The most common, and most widely accepted extenuating circumstances are:

- Death of a primary wage earner
- Permanent disability of a primary wage earner

Conventional financing is much more lenient with extenuating circumstances than FHA. Under the Conventional definition, divorce and unemployment can be considered an extenuating circumstance.

The truth is, extenuating circumstances are extremely difficult to “prove”, and often fall short when required to provide documentation of the events leading up to the hardship.

Q: Which date do I use to start the waiting period?

A: This is one of the most common questions I get, and the answer will depend completely on what type of financing you applying for.

Example: FHA considers a Bankruptcy and subsequent loss of home by foreclosure, short sale or deed in lieu as 2 separate events. You will use the waiting period of the last hardship as your timeline.

When using Conventional financing to buy after a hardship, if the mortgage is included and discharged in a bankruptcy, you can use the bankruptcy discharge date and ignore any foreclosure, short sale, or deed in lieu of foreclosure date that occurs after the discharge.

For questions about qualifying, email: Scott@FindMyWayHome.com

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Boomerang Buyer Frequently Asked Questions

Common questions and answers about buying a home after financial hardship

Q: Do I still qualify if I checked the box on the BK petition that my INTENTION was to retain the property?

A: This is a “deal killer” for most underwriters that do not have any experience with these guidelines.

There is nowhere in the Fannie Mae guideline that requires the underwriter to consider your “intent” at the time you initially filed for bankruptcy.

The challenge usually comes from the underwriter questioning whether or not the mortgage was actually discharged, since you said your intention was to retain the property.

The answer to the underwriter’s concerns about your “intention” is the Certificate of Notice, or Notice to Creditors. The Certificate of Notice will list the creditors that were notified that their debt was discharged.

This is your proof that the mortgage was indeed discharged through the bankruptcy.

I have successfully closed transactions where the petition was marked that the intention was to retain the property, or retain and modify the loan, which never happened.

Q: Can I buy sooner if I have a big down payment and high credit scores?

A: Prior to August 2014, Fannie Mae allowed a 2 year wait after short sale or deed in lieu if you have 10% down and a minimum credit score.

After August 2014, there are no opportunities to use traditional financing if you have a high down payment and high FICO scores.

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Q: Are there any lenders that will let me buy or refinance if I haven't met the waiting period, but I have good credit and a down payment/equity?

A: The only opportunity to purchase sooner than the published waiting periods for traditional financing is to use non-traditional financing. Portfolio lenders are available to lend to borrowers with high FICO scores and a sizable down payment.

Portfolio lenders will lend as soon as 1 day out of foreclosure or bankruptcy if you have 20% down payment/equity, and decent credit scores.

While the rates and fees are higher than traditional financing, these solutions tend to be temporary, and are a great opportunity to bridge the waiting period gap while enjoying the tax and savings benefits of homeownership.

Q: Should I just buy now with whatever loan I qualify for? Or wait until I can qualify for a better loan?

A: My answer to this is pretty simple. If you can afford to buy now, you should. Period. This really turns into a math question. Yes, a higher down payment is required, which is really just converting your cash into equity. And yes, the interest rates and fees (or mortgage insurance) may not be what you would like.

The bottom line is, not owning a home could cost you thousands of dollars in savings (equity and principal pay down), and tax benefits that you cannot benefit from if you don't own real estate. If you have to pay a higher interest rate, you have more to write off on your next tax return. The return on investment can be easily calculated and used to determine the best option for you and your family.

Find answers about this topic and more at:

<http://www.findmywayhome.com/>

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