

Credit Tips You Need to Know

FICO Scores are calculated from many pieces of credit data in a credit report. This data can be grouped into five categories. The percentages in the chart reflect how important each of the categories is in determining a score. For particular groups - for example, people who have not been using credit long – the importance of these categories may be somewhat different.



Important Credit Tips:

- Review credit early in the process. Credit reports are viable for up to 120 days with most lenders, and early detection of incorrect information is key. For any errors, request a correction from all three bureaus as quickly as possible.
- Revolving account balance in comparison to limit: this ratio can make an immediate impact to scores.
- New credit: New revolving account(s) could help to increase scores, as positive credit can be impactful on the scoring model.
- Inquiries: Although should not make a large impact on scores for a few inquiries over a short period of time, it is imperative to not continue to apply for additional credit while in the mortgage and credit approval process.

Waiting Periods Required for Significant Derogatory Credit Events

CONVENTIONAL (DETERMINED BY DATE OF APPLICATION)

*MUST RECEIVE AN AUS APPROVE/ELIGIBLE INCLUDING THOSE WITH EXTENUATING CIRCUMSTANCES

| Derogatory Item | Waiting Periods |
|---|--|
| Foreclosure | <p>Home was given back to the bank - No owner participation</p> <ul style="list-style-type: none"> • 7 years from date foreclosure completed and transferred back to bank if they had NO extenuating circumstances. • 3 years from date foreclosure completed and transferred back to bank with acceptable extenuating circumstances¹ AND 10% Down Payment. Primary home purchase and rate/term refinance only. Non-owner and second homes not allowed. <p><i><u>When both a bankruptcy and foreclosure are disclosed on the loan application, or when both appear on the credit report, the lender may apply the bankruptcy waiting period if the lender obtains the appropriate documentation to verify that the mortgage loan in question was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied.</u></i></p> |
| Short Sale Deed in Lieu of Foreclosure or Charge-Off of Mortgage Account | <p>Short Sale: Home sold but sales price didn't cover amount owed Deed in Lieu: Home returned to lender in exchange for canceling loan</p> <ul style="list-style-type: none"> • 4 years from date sale closed and transferred to new owner or transferred back to bank if they had NO extenuating circumstances. • 2 years from date sale closed and transferred to new owner or transferred back to bank possible with acceptable extenuating circumstance¹ |
| Bankruptcy Chapter 7 or 11 | <p>Debts are discharged through BK, client does not pay any debts owing</p> <ul style="list-style-type: none"> • 4 years from discharge date • 2 years from discharge date possible with acceptable extenuating circumstance¹ |
| Bankruptcy Chapter 13 | <p>Debts are paid back on a monthly scheduled payment plan by client</p> <ul style="list-style-type: none"> • 2 years from discharged date • 4 years from dismissal date • 2 years from dismissal date possible with acceptable extenuating circumstance¹ |
| Multiple Bankruptcy Filings | <ul style="list-style-type: none"> • 5 years if more than one filing within the past 7 years • 3 years from the most recent discharge or dismissal date with acceptable extenuating circumstance¹ |

FHA (DETERMINED BY DATE OF CREDIT APPROVAL)

| Derogatory Item | Waiting Periods |
|--|--|
| Foreclosure Deed in Lieu of Foreclosure | <p>Foreclosure: Home was given back to the bank - No owner participation Deed in Lieu: Home returned to lender in exchange for canceling loan</p> <ul style="list-style-type: none"> • 3 years from date foreclosure completed and transferred back to bank • Less than 2 years, but not less than 12 months from date foreclosure completed and transferred back to bank may be acceptable if the result of acceptable extenuating circumstances² |
| Short Sale | <p>Short Sale: Home sold but sales price didn't cover amount owed</p> <ul style="list-style-type: none"> • 3 years from date sale closed and transferred to new owner. • No waiting period if borrower had no late payments on any mortgages and consumer debts within the 12 month period preceding the short sale AND they are not taking advantage of declining market conditions. |
| Bankruptcy Chapter 7 | <p>Debts are discharged through BK, client does not pay any debts owing</p> <ul style="list-style-type: none"> • 2 years from date of discharge with re-established credit paid as agreed or no new credit obligations incurred. • Less than 2 years, but not less than 12 months from date of discharge may be acceptable if the bankruptcy was caused by acceptable extenuating circumstances² and borrower has since exhibited a documented ability to manage financial affairs in a responsible manner. |
| Bankruptcy Chapter 13 | <p>Debts are paid back on a monthly scheduled payment plan by client</p> <ul style="list-style-type: none"> • 1 year payout period under bankruptcy has elapsed and the borrower's payment performance has been satisfactory and all required payments made on time. |

VA (DETERMINED BY DATE OF CREDIT APPROVAL)

| Derogatory Item | Waiting Periods |
|--|---|
| Foreclosure Deed in Lieu of Foreclosure | Foreclosure: Home was given back to the bank - No owner participation Deed in Lieu: Home returned to lender in exchange for canceling loan <ul style="list-style-type: none"> • 2 years from date foreclosure completed and transferred back to bank • 12-23 months from date foreclosure completed and transferred back to bank if credit re-established and paid as agreed and was caused by acceptable extenuating circumstances³. |
| Short Sale | Short Sale: Home sold but sales price didn't cover amount owed <ul style="list-style-type: none"> • 2 years from date sale closed and transferred to new owner. • No waiting period if borrower had no late payments on any mortgages and consumer debts within the 12 month period preceding the short sale AND they are not taking advantage of declining market conditions. |
| Bankruptcy Chapter 7 | Debts are discharged through BK, client does not pay any debts owing <ul style="list-style-type: none"> • 2 years from date of discharge • 12-23 months from date of discharge if credit re-established and paid as agreed and was caused by acceptable extenuating circumstances³. |
| Bankruptcy Chapter 13 | Debts are paid back on a monthly scheduled payment plan by client <ul style="list-style-type: none"> • 1 year payout period under bankruptcy has elapsed and the borrower's payment performance has been satisfactory and all required payments made on time |

USDA (DETERMINED BY DATE OF CREDIT APPROVAL)

| Derogatory Item | Waiting Periods |
|--|--|
| Foreclosure Deed in Lieu of Foreclosure Short Sale | Home was given back to the bank - No owner participation Deed in Lieu: Home returned to lender in exchange for canceling loan Short Sale: Home sold but sales price didn't cover amount owed <ul style="list-style-type: none"> • 3 years from the date the foreclosure was completed and transferred back to the bank. • Less than 3 years from date the foreclosure was completed and transferred back to the bank may be considered with acceptable extenuating circumstances⁴ |
| Bankruptcy Chapter 7 | Debts are discharged through BK, client does not pay any debts owing <ul style="list-style-type: none"> • 3 years from date of discharge. • Less than 3 years from date of discharge may be considered with acceptable extenuating circumstances⁴ |
| Bankruptcy Chapter 13 | Debts are paid back on a monthly scheduled payment plan by client <ul style="list-style-type: none"> • 1 year from the date repayment was completed and bankruptcy discharged. • Less than 1 year from the date of discharge may be considered with acceptable extenuating circumstances⁴ |

Examples of acceptable extenuating circumstances (circumstances must be verified and documented):

1. **Conventional:** nonrecurring events that are beyond the borrower's control that result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligations.
2. **FHA:** Serious illness or death of a wage earner. Divorce and the inability to sell a property due to a job transfer or relocation to another area **does not** qualify as an acceptable extenuating circumstance.
 - **Back to Work Program:** FHA is allowing for the consideration of borrowers who have experienced a defined "Economic Event" and can *document* that: a.) Certain credit impairments were the result of loss of employment, or a significant loss of household income beyond the borrowers control; and b.) The borrower has demonstrated full recovery from the event; and c.) The borrower has completed housing counseling before making application.
3. **VA:** Unemployment, prolonged strikes, medical bills not covered by insurance, etc. Divorce is **not** viewed as beyond the control of the borrower and/or spouse.
4. **USDA:** loss of job; delay or reduction in government benefits or other loss of income; increased expenses due to illness, death, etc. Circumstances surrounding the adverse information must have been temporary in nature, and beyond the applicant's control, and have been removed so their reoccurrence is unlikely or the adverse action or delinquency was the result of a refusal to make full payment because of defective goods or services or as a result of some other justifiable dispute relating to the goods or services purchased or contracted.



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