

## Buying a Home After a Short Sale, Foreclosure or Bankruptcy

In today's environment, many clients are looking to purchase a home after a short sale, foreclosure, or bankruptcy. While the lending process can be challenging, navigating seasoning requirements can help you qualify your clients.

**JMAC will follow the greater of product guidelines or requirements outlined within the automated underwriting findings.**

Conventional <sup>1</sup>	
<b>Short Sale Deed-In-Lieu of Foreclosure</b>	<ul style="list-style-type: none"> <li>• 4-years from completion date</li> <li>• In cases of extenuating circumstances:               <ul style="list-style-type: none"> <li>○ DU: 2-years from completion date</li> <li>○ LP: 2-year from completion date on Owner-Occupied Purchase or No Cash-Out Refinance only, max 90% LTV or max LTV per program</li> </ul> </li> </ul>
<b>Bankruptcy: Chapter 7 or 11</b>	<ul style="list-style-type: none"> <li>• 4-years from discharge or dismissal date</li> <li>• In cases of extenuating circumstances: 2-years from discharge or dismissal date</li> </ul>
<b>Bankruptcy: Chapter 13</b>	<ul style="list-style-type: none"> <li>• 4-years from dismissal date (borrower did not complete the Chapter 13 plan) or 2-years from discharge date.</li> <li>• In cases of extenuating circumstances: 2 years from dismissal date. There are no exceptions permitted to the 2-year waiting period after a Chapter 13 discharge.</li> </ul>
<b>Multiple Bankruptcy Filings within the last 7-years</b>	<ul style="list-style-type: none"> <li>• 5-years from the most recent discharge date or dismissal date.</li> <li>• In cases of extenuating circumstances: 3-years from discharge or dismissal date.</li> <li>•</li> </ul>
<b>Foreclosure</b>	<ul style="list-style-type: none"> <li>• 7-years from completion date of foreclosure action as reported on the credit report or other foreclosure documents.</li> <li>• If mortgage debt has been discharged through bankruptcy, even if a foreclosure action is subsequently completed to reclaim the property in satisfaction of the debt, the borrower is held to the bankruptcy waiting periods and not the foreclosure waiting period.</li> <li>• In cases of extenuating circumstances: 3-years from the completion date of foreclosure action as reported on the credit report or other foreclosure documents.               <ul style="list-style-type: none"> <li>• Purchase - 90% or program limit, owner occupied only.</li> <li>• Refinance - Limited cash-out only, all occupancy types</li> </ul> </li> <li>• For mortgage delinquent 120 days or longer and the lender has not initiated the formal actions, the mortgage would be classified as a foreclosure.</li> </ul>
<b>Mortgage History</b>	<ul style="list-style-type: none"> <li>• Mortgage liability is current and not in a repayment plan, loan modification, Trial Period Plan, Payment Deferral or subject to another loss mitigation</li> <li>• If the borrower's existing mortgage is in forbearance, yet is current with no payments missed, the borrower is not required to exit forbearance to be eligible for a new purchase or refinance then no additional eligibility requirements needed.</li> </ul>

<sup>1</sup> The Note date is used to determine the acceptable timeframes. Also, see the FNMA/FHLMC Seller Guides for complete details on requirements for extenuating circumstances.

<p><b>Mortgage is current, yet one or more payment histories indicates a late payment occurred (later than the last calendar day of that month) and not in a repayment plan, loan modification Trial Period Plan, Payment Deferral or loss mitigation program</b></p>	<ul style="list-style-type: none"> <li>• Documentation must evidence that the late payment(s) occurred under a forbearance or any other loss mitigation solution.</li> <li>• Mortgage payments missed during COVID-19 related forbearance are not considered significant derogatory credit for the purpose of compliance with requirements</li> </ul>
<p><b>Mortgage liability is not current, OR is in a repayment plan, loan modification Trial Period Plan or Payment Deferral</b></p>	<ul style="list-style-type: none"> <li>• New transaction is ineligible unless the amounts outstanding on any existing mortgage are resolved by meeting the additional eligibility requirements. (See Reinstatement and Loss Mitigation)</li> </ul>
<p><b>Reinstatement</b></p>	<ul style="list-style-type: none"> <li>• If the borrower resolved missed payments through a reinstatement, they are eligible for a new mortgage loan.</li> <li>• The source of the funds that were used to resolve and reinstate the account must be documented.</li> </ul>
<p><b>Loss Mitigation / COVID - Forbearance</b></p>	<p>If outstanding payments will be or have been resolved through a loss mitigation as documented by the forbearance agreement, the borrower is eligible for a new mortgage loan if they have made at least three (3) on time payments as of the Note date of the new transaction as follows:</p> <ul style="list-style-type: none"> <li>• Repayment Plan <ul style="list-style-type: none"> <li>○ Borrower must have made either three (3) payments under the repayment plan or completed the repayment plan, whichever occurs first.</li> <li>○ Not that there is no requirement that the repayment plan be completed.</li> </ul> </li> <li>• Payment Deferral <ul style="list-style-type: none"> <li>○ Borrower must have made three (3) consecutive payments following the effective date of the payment deferral agreement.</li> </ul> </li> <li>• Modification <ul style="list-style-type: none"> <li>○ Borrower must have completed the three-month trial payment period.</li> </ul> </li> <li>• Any other Loss Mitigation Solution <ul style="list-style-type: none"> <li>○ Borrower must have successfully completed the program or made three (3) consecutive full payments in accordance with the program.</li> </ul> </li> </ul> <p>Evidence that the borrower has made the required three (3) timely payments may include:</p> <ul style="list-style-type: none"> <li>• A loan payment history from the Servicer or third-party verification service,</li> <li>• The latest mortgage account statement from the borrower, and</li> <li>• A verification of mortgage</li> <li>• Copy of the Original &amp; Ending Forbearance letters</li> </ul> <p>If these requirements are met on an existing mortgage loan being refinanced, the new loan amount can include the full amount required to satisfy the existing mortgage.</p> <p>For Fannie Mae and Freddie Mac, if a mortgage is currently in forbearance, and the borrower sells the property prior to our note date, the forbearance is satisfied and additional requirements noted above (i.e., 3 payments) will not apply. Payments cannot be pre-paid in advance of their due date.</p> <p><i>Pay history flexibilities do not apply to Freddie Mac Enhanced Relief Refinance Mortgages or Fannie High LTV refinance loans, which must continue to meet the payment history requirements.</i></p> <p><a href="https://www.fanniemae.com/newsroom/fannie-mae-news/fannie-mae-announces-covid-19-payment-deferral">https://www.fanniemae.com/newsroom/fannie-mae-news/fannie-mae-announces-covid-19-payment-deferral</a></p>

**FHA<sup>2</sup>**

<p style="text-align: center;"><b>Short Sale (Pre-Foreclosure Sale)</b></p>	<ul style="list-style-type: none"> <li>• AUS: 3-years from date of title transfer <b>back to the bank</b>. This is at time of case assignment.</li> <li>• AUS and Manual: Borrowers who sold their property with an FHA mortgage are not eligible for 3-years from the date that FHA paid the claim associated with the pre-foreclosure sale. CAIVRS must be clear.</li> <li>• A borrower in default on his/ her mortgage at the time of the short sale (or pre-foreclosure sale) is not eligible for a new FHA-insured mortgage for 3-years from the date of transfer of title by Short Sale. This is at time of case assignment.</li> </ul>
<p style="text-align: center;"><b>Deed-In-Lieu of Foreclosure, Foreclosure</b></p>	<ul style="list-style-type: none"> <li>• AUS and Manual: 3-years from the date of title transfer or the date FHA paid a claim associated with the mortgage, if any. This is at time of case assignment.</li> </ul>
<p style="text-align: center;"><b>Previously modified loan (any principal forgiveness or conversion of any portion to unsecured subordinate financing)</b></p>	<ul style="list-style-type: none"> <li>• The refinance of a previously modified loan is allowed. The type of refinance that is eligible will depend on the payoff of the loan being refinanced. The outstanding balance of a modified loan may reflect amounts previously added to the loan balance to facilitate loss mitigation at time of case assignment. This is at time of case assignment.</li> <li>• Eligibility: <ul style="list-style-type: none"> <li>○ <b>Streamline Refinance:</b> Eligible with OX30 mortgage rating for 24 months. The new loan amount must be calculated as required for a Streamline Refinance. The new loan amount may not include any deferred balances if separated from the principal and interest. See guidelines for loan amount calculation. Provide 6 months proof of payments prior to the modification and 3 payments after.</li> <li>○ <b>Rate/Term or Simple Refinance:</b> Eligible with OX30 mortgage rating for 12 months if the pay-off does not include deferred interest, principal or other items ineligible for inclusion in a Rate/Term or Simple Refinance. The borrower must have made 12 timely payments under the modification.</li> <li>○ <b>Cash-Out Refinance:</b> 3-years from the date of modification unless the borrower can document the modification was solicited by the servicer. The borrower must have made 12 timely payments under the modification.</li> </ul> </li> <li>• All other standard FHA guidelines per type of refinance apply.</li> </ul>
<p style="text-align: center;"><b>Bankruptcy:Chapter 7</b></p>	<ul style="list-style-type: none"> <li>• AUS: 2-years from discharge at time of case assignment with positively re-established credit. If the bankruptcy was discharged within two years from the date of the case assignment, the Mortgage must be downgraded to a Refer and be manually underwritten, <b>which is not permitted</b>.</li> </ul>
<p style="text-align: center;"><b>Bankruptcy:Chapter 13</b></p>	<ul style="list-style-type: none"> <li>• AUS: 1-year from discharge at time of case assignment with positively re-established credit. If the bankruptcy was discharged within two years from the date of the case assignment, the Mortgage must be downgraded to a Refer and be manually underwritten, <b>which is not permitted</b>.</li> </ul>
<p style="text-align: center;"><b>Covid-Forbearance</b></p>	<ul style="list-style-type: none"> <li>• The borrower continued to make regularly scheduled payments and the Forbearance Plan is terminated; or</li> <li>• For Cash-Out refinances, the borrower has completed the Forbearance Plan and made at least 12 consecutive monthly payments post forbearance; or</li> <li>• For purchase and No Cash-Out refinances, the borrower has completed the Forbearance Plan and made at least three consecutive monthly payments post forbearance; or</li> <li>• For Credit Qualifying Streamline refinance, the borrower has completed the Forbearance Plan and made less than three consecutive monthly payments post forbearance; and</li> <li>• For all Streamline refinance transactions, the borrower has made at least six payments on the FHA-insured mortgage being refinanced (where the FHA insured Mortgage has been modified after forbearance, the Borrower must have made at least six payments under the Modification).</li> </ul>

<b>Short Sale Deed- In-Lieu of or Foreclosure</b>	<ul style="list-style-type: none"> <li>• AUS: 2-years from the date of title transfer back to the bank.</li> <li>• Foreclosure/DIL/Short-Sale: less than 2 years, but greater than 12-month from the date of foreclosure completed and transferred back to the bank, may be acceptable if the result of acceptable extenuating circumstance and re-established credit.</li> </ul>
<b>Bankruptcy:Chapter 7</b>	<ul style="list-style-type: none"> <li>• AUS: 2-years from discharge date. Discharged less than 2 years, but greater than 12-month may be acceptable if the result of acceptable extenuating circumstances &amp; veteran has re-established credit.</li> </ul>
<b>Bankruptcy:Chapter 13</b>	<ul style="list-style-type: none"> <li>• AUS: 2 years from the discharge date. Actively in a BK repayment plan greater than 12-month may be acceptable if Trustee or judge approves of new credit, satisfactory 12 months bk payment history &amp; veteran has re-established credit.</li> </ul>
<b>Forbearance</b>	<ul style="list-style-type: none"> <li>• The borrower is no longer experiencing a financial hardship caused by COVID-19, and</li> <li>• The borrower qualifies for the IRRRL under credit standards set forth by C.F.R. § 36.4340 Maximum Loan Amount in the respect to the Cares Act forbearance, this means that IRRRLS may include the following: <ul style="list-style-type: none"> <li>○ Any past due installment payments, including those a borrower deferred under a CARES Act forbearance, plus</li> <li>○ Allowable late charges, consistent with the note, the CARES Act, and all other applicable laws, plus</li> <li>○ Allowable closing costs and discount points, and</li> <li>○ The VA funding fee</li> </ul> </li> </ul> <p>Must verify 6 payments PRIOR to forbearance or 6 payments AFTER forbearance period. Provide Original and Ending forbearance letter.</p> <p>Loan seasoning, Fee Recoupment, Discount Points and Net Tangible Benefit Standards: Lenders are reminded that all IRRRLS and cash-out refinances must meet loan seasoning, fee recoupment, discount points and net tangible benefit requirements, as prescribed 38 C.F.R. § 36.4307 and VA policy guidance. Periods of forbearance cannot count towards seasoning; however, forbearance under the Cares Act does not, alone, cause the loan to fail to meet the seasoning standard. If a loan being refinanced met seasonings before a Veteran invoked a CARES Act forbearance, the seasoning requirement remains satisfied.</p> <ul style="list-style-type: none"> <li>○ A loan being refinanced is seasoned if both of the following conditions are met as of the date the borrower closes the refinance loan: <ul style="list-style-type: none"> <li>▪ The borrower has made at least six consecutive monthly payments on the loan being refinanced. For example, in a case where a borrower made five consecutive payments before invoking a CARES Act of forbearance, such borrower would need to make six additional consecutive payments, post forbearance, in order to meet the seasoning requirement.</li> <li>▪ The date of closing for the refinance loan is 210 or more days after the first payment due date of the loan being refinanced.</li> </ul> </li> </ul>

<sup>4</sup> The date of the case assignment number is issued, is used to calculate the required time frame. Also, the credit report date is used to determine an acceptable time frame for VA.

<b>Jumbo &amp; Non-QM<sup>5</sup></b>	
<b>Manhattan, Malibu Plus &amp; Laguna (Jumbo)</b>	
<b>Short Sale, Bankruptcies, Foreclosure, Deed-In-Lieu of Foreclosure, Pre-foreclosure</b>	<ul style="list-style-type: none"> <li>• 7-years from completion date</li> </ul>
<b>Jumbo Plus</b>	
<b>Bankruptcy: Chapter 7 and 11</b>	<ul style="list-style-type: none"> <li>• 4-years from discharge or dismissal date</li> </ul>
<b>Bankruptcy: Chapter 13</b>	<ul style="list-style-type: none"> <li>• 4-years have elapsed since dismissal date to the Note Date</li> </ul>
<b>Foreclosure History/ Loan Mods/ Short sale</b>	<ul style="list-style-type: none"> <li>• 7-years from completion date</li> </ul>
<b>Monterey Jumbo</b>	
<b>Bankruptcy: Chapter 7 and 11</b>	<ul style="list-style-type: none"> <li>• 4-years from discharge or dismissal date</li> </ul>
<b>Bankruptcy: Chapter 13</b>	<ul style="list-style-type: none"> <li>• 4-years have elapsed since dismissal date to the Note Date</li> </ul>
<b>Foreclosure History / Loan Mods / Short Sale</b>	<ul style="list-style-type: none"> <li>• 7-years from completion date</li> </ul>
<b>Newport Jumbo</b>	
<b>Bankruptcy: Chapter 7, 11, and 13</b>	<ul style="list-style-type: none"> <li>• 4-years from discharge or dismissal date</li> </ul>
<b>Multiple Bankruptcies</b>	<ul style="list-style-type: none"> <li>• 5 years waiting period is required from the most recent dismissal/discharge date if multiple bankruptcies within the last 7 years</li> </ul>
<b>Deed-in-Lieu of FC, SS, or Charge off of mortgage account</b>	<ul style="list-style-type: none"> <li>• 4 years date of completion or sale</li> </ul>
<b>Loan Modification</b>	<ul style="list-style-type: none"> <li>• 7 years from the modification date. For Covid related forbearance, refer to guides</li> </ul>
<b>For loan amounts more than high balance</b>	<ul style="list-style-type: none"> <li>• 7 years from the date of the loan application. Multiple derogatory events, regardless of age are not eligible.</li> </ul>
<b>Venice (Non-QM)</b>	
<b>Short Sale, Bankruptcies, Foreclosure, Deed in Lieu, and Loan Mods</b>	<ul style="list-style-type: none"> <li>• 2-years minimum from completion date with LTV restrictions</li> <li>• 3-years from completion date with no restrictions</li> </ul>
<b>Zuma (Non-QM)</b>	
<b>Short Sale</b>	<ul style="list-style-type: none"> <li>• Prime: 4-years from completion date</li> <li>• Either one of the following for Credit Flex: <ul style="list-style-type: none"> <li>○ 1-year from Short Sale completion date with OX60 mortgage lates in the last 12 months</li> <li>○ Short Sale settled with OX90 mortgage lates in the last 12 months</li> </ul> </li> </ul>
<b>Bankruptcy:Chapter 13</b>	<ul style="list-style-type: none"> <li>• Prime: 4-years from discharge or dismissal date</li> <li>• Either one of the following for Credit Flex: <ul style="list-style-type: none"> <li>○ 1-year from discharge or dismissal date (1X30 in past 12 months)</li> <li>○ Settled (OX60 in last 12 months, OX90 in last 12 months)</li> </ul> </li> </ul>
<b>Bankruptcy:Other</b>	<ul style="list-style-type: none"> <li>• Prime: 4-years from discharge or dismissal date</li> <li>• Either one of the following for Credit Flex: <ul style="list-style-type: none"> <li>○ 2-years from discharge or dismissal date (1X30 in past 12 months or OX60 in last 12 months)</li> <li>○ 1-year from completion date (OX90 in past 12 months)</li> </ul> </li> </ul>
<b>Foreclosure</b>	<ul style="list-style-type: none"> <li>• Prime: 4-years from completion date</li> <li>• Either one of the following for Credit Flex: <ul style="list-style-type: none"> <li>○ 2-years from completion date (1X30 in past 12 months or OX60 in last 12 months)</li> <li>○ 1-year from completion date (OX90 in past 12 months)</li> </ul> </li> </ul>



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<sup>5</sup> The Application date is used to determine an acceptable time frame