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# **The Affects Of Home Loan Approval Based On Filing Bankruptcy**

When it comes to getting qualified for a home loan, a bankruptcy can play a crucial role in your ability to get approved. There are several factors that a bankruptcy has on the mortgage loan process. Knowing what to expect can help you increase your chances for a home loan approval.

### The Waiting Period

If a person has filed bankruptcy, it will be difficult to get approved for a loan. Many home loan programs will require a waiting period from the time the bankruptcy has been discharged before the mortgage loan can be approved. Depending on what type of bankruptcy that you filed will depend on how long the waiting period will be. If you filed a chapter 7 bankruptcy, then you will have to wait at least two years from the discharge date before the loan can be approved. The two year waiting period is based on a FHA home loan. A conventional home loan will require a four year waiting period.

If you have filed a chapter 13 bankruptcy, the waiting period is still the same on a conventional home loan, but on a FHA loan, there is a way to buy a home while still in chapter 13 bankruptcy. FHA loan programs will consider the filing date when calculating the waiting period. A chapter 13 bankruptcy customer can get approved for a loan after one year from filing the bankruptcy. Since many clients are still in chapter 13 bankruptcy after one year, you must get approval from the trustee of your case, that you can add an additional debt like a mortgage. Without the trustee approval, you will not get approved for the loan.

All mortgage approvals with clients still in chapter 13 bankruptcy require manual underwriting and must follow the FHA mortgage guidelines.

### Reestablishing Credit

For many customers that file bankruptcy, the hardest step in getting a mortgage approved is that many lenders require that the customer has reestablished a positive credit history since the bankruptcy. The reestablish credit history must also show no new negative accounts since the bankruptcy. For example, if you have a bankruptcy that was discharged in 2008 and in 2009, your car was repossessed, then you will not get approved for a loan.

Reestablishing new credit history usually consists of at least an auto loan and a revolving credit account. Make sure to keep your revolving account balance below 10% of the actual credit limit. Home loans require the reestablishment of credit for approval.

There are other loan programs besides FHA mortgage loans and conventional loans that have different guidelines when considering a bankruptcy. These types of home loans are considered non-traditional loans and many of these programs require a larger down payment. Mortgage loan rates on these programs are also usually 2 to 3 percent higher than a normal conventional home loan.

### Avoid New Negative Credit

The most important thing to remember after a bankruptcy is to reestablish credit and do not have any new derogatory accounts since the bankruptcy was filed. You want to show the mortgage company that the bankruptcy was an once in a lifetime event and will not happen again. If the lender believes that there is a habit of bad credit or the likelihood of filing bankruptcy again, the loan will be declined.

Bankruptcy is not a mortgage killer, but if you have filed bankruptcy in the last seven years, it is crucial to make sure that you are doing everything possible to have good credit, especially if you want to purchase and finance a new property.

David White is a Senior Mortgage Loan Officer who helps his customers with their [Home Loans](#). David specializes in [FHA Home Loans](#) which helps customers who have filed bankruptcy in the past. David has over 12 years experience in the finance industry.