

How Bankruptcy No Longer Means No Mortgage

Families who want to live the American Dream and buy real estate now may have a chance with certain lenders

Phoenix, AZ: In the past, traditional mortgage lenders have automatically rejected people who had declared personal bankruptcy. Many potential home-buyers felt that they must wait at least seven to 10 years after a bankruptcy to be eligible to become homeowners. This is a common misconception.

While some people declaring bankruptcy had had trouble managing their money, a large number of those have simply experienced unfortunate events.

“Americans are filing bankruptcy at record-high levels over the last five years,” Says Kendall Matthews, a Certified Keller Williams Realty Realtor and Home Loan Consultant with L&G Mortgage Banc in Scottsdale, Arizona who specializes in working with families with credit issues. “Though a bankruptcy is certainly a blemish on a credit report, it does not necessarily disqualify a borrower.”

Recognizing that sometimes-bad things happen to good people, some select loan officers like Matthews are becoming willing to take a calculated risk.

Some lenders use a scoring system to determine whether potential buyers are a worthwhile risk. Unfortunately, bankruptcy gives an automatic low score. However, select lenders are beginning to look beyond the scores and look at the individuals in need.

Instead of waiting two or four years after being discharged from bankruptcy, some mortgage professionals are willing to give a home loan much sooner, allowing more people to buy real estate. Those who have declared Chapter 7 bankruptcy liquidation may be eligible for a loan one year after discharge, and those who have declared Chapter 13 may be eligible for a loan even while still reorganizing.

Another common misconception is that a previous bankruptcy on your credit report will require you to have a large down payment and pay extremely high rates and points. There are currently programs available with as little as 3 percent down with very attractive rates and points.

Some lenders are even prequalifying buyers for a loan, saving time and making the home-buying experience easier and more efficient. When a buyer prequalifies, they will have the advantage of greater negotiating power.

No matter what the situation, select mortgage professionals have a program that will work for the buyer with a bankruptcy history.

“If a buyer cannot get approved, there are customized plans that can re-establish credit to help the buyer become mortgage-ready, ensuring homeownership in the future,” Matthews said.

Because of new options, bankruptcy no longer needs to stand in the way of getting a home loan. With the help of more creative lenders, those who have experience financial difficulty will have an easier time getting a mortgage.

Kendall Matthews is managing Realtor and home loan consultant of The Home Essential Group, located in Phoenix, Arizona, his team helps families find lovely homes for low down payment. For special mortgage funding programs or mortgage-ready kits, Kendall can be reached at 888.462.3771 ext. 220 or www.StressLessHomeLoan.com

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