



Oscar Castillo : BROKER - REALTOR **(858) 775-1057** DRE# 01140298 www.OscarSellsHomes.com

Can I purchase a home after a Foreclosure or Short Sale on my previous home?

Many San Diego veterans and active duty military want to know whether they are eligible to purchase a home once they've been through a **Foreclosure** or **Short Sale**.

The good news is that the **VA guidelines** do allow for veterans and military personnel to qualify for a VA loan after a foreclosure or short sale, but there are very specific guidelines you must follow.

Regain VA Loan Eligibility

You are not eligible to purchase until 2 years from the date of the Foreclosure or Short Sale.

Once the 2 years has elapsed, you are able to apply and reinstate your eligibility for a VA loan once again. However, know that your loan will be highly scrutinized based on tighter lending restrictions and your process will probably be tougher than it would be for someone with a clean credit history.

You also need to understand that while you are eligible to apply for a VA loan after 2 years, there are additional requirements that must be met. Just waiting for the 2 years to pass does not ensure that your loan will be approved.

Also keep in mind that this does not just apply to veterans with a previous VA loan. It also applies to any veteran with a Conventional or FHA mortgage which resulted in foreclosure. Any foreclosure whether it's **FHA, VA** or **Conventional** will be subject to the same regulations.

Entitlement for a VA Mortgage in a Foreclosure

If you went through a VA foreclosure, there are additional steps you will need to take. 1st you need to restore full entitlement.

If your VA loan foreclosure resulted in a loss to the VA, you will be required to repay that previous guarantee before your eligibility is restored.

It is possible to use partial-entitlement to get a VA loan, but without **full entitlement** a down payment is likely going to be required. You will also be asked to provide details with regards to the circumstances. VA and your lender will want a detailed account of what transpired and how that event resulted in foreclosure.

(continued)

There will be additional checks to see if there are additional late payments, collections or any other derogatory accounts, VA requires that you've had no late payments while paying off a Bankruptcy, if so be prepared to offer an explanation on those as well.

If you're able to show that the cause of your financial trouble and foreclosure were largely out of your control (ie: *extenuating circumstance*) you may have a better chance at approval.

Extenuating Circumstances are defined as non-recurring events that were beyond your control that resulted in a significant, sudden and prolonged reduction in income and/or a catastrophic increase in financial obligations.

Examples of extenuating circumstances include:

- Unanticipated medical bills
- Illness of the borrower
- Illness of the borrower family member
- Curtailment of income
- Job loss.
- Certain lawsuits.

Whatever the scenario, there is no guarantee of approval as each decision is made on a case-by-case basis.

Lastly, even though the VA does not disqualify veterans from VA loans after a foreclosure or short sale, it can definitely extend the application process due to additional paperwork, explanations and documentation.

Having a Foreclosure or Short Sale does not mean you won't be able buy a home ever again, you will just have to work with and through the system in order to reinstate your eligibility.

What is very important for you to know is that once you have gone through a Short Sale or Foreclosure, start working on **repairing** your credit. Remember you have 2-years... a lot credit history can be repaired in that period of time.

